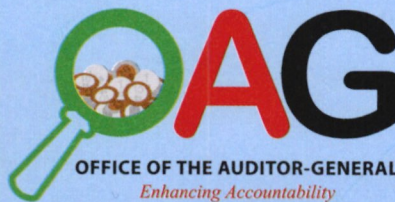


REPUBLIC OF KENYA



REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

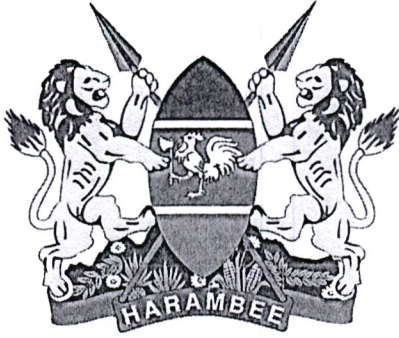
ON

MODOGASHE MUNICIPALITY

FOR THE YEAR ENDED
30 JUNE, 2025

COUNTY GOVERNMENT OF GARISSA

PAPERS LAID	
DATE	12.11.25.
TABLED BY	J.M.H
COMMITTEE	-
CLERK AT THE TABLE	Antwanda Angela



MODOGASHE MUNICIPALITY
County Government of Garissa

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2025

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

Table of Content

Table of Content.....	i
1. Acronyms and Definition of Key Terms.....	ii
2. Key Entity Information and Management.....	iii
3. Municipality Board	vii
4. Key Management Team	ix
5. Municipality Board Chairperson's Report.....	xi
6. Report Of the Municipality Manager.....	xiv
7. Statement of Performance Against Predetermined Objectives for the FY.....	xvii
8. Corporate Governance Statement.....	xviii
9. Management Discussion and Analysis.....	xx
10. Environmental And Sustainability Reporting	xxi
11. Report of the Municipality Board Members	xxii
12. Statement of Management's Responsibilities	xxiii
13. Report of the Independent Auditor on the Modogashe Municipality.....	xxv
14. Statement of Financial Performance for The Year Ended 30 June 2025.....	1
15. Statement of Financial Position As At 30 June 2025.....	2
16. Statement of Changes in Net Assets For the Year Ended 30 June 2025.....	3
17. Statement Of Cash Flows for The Year Ended 30 June 2025.....	4
18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 20255	
19. Notes to the Financial Statements.....	7
20. Appendices	35

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

Modogashe 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 14 march 2024. The City/ Municipality is under the County Government of *Garissa* and is domiciled in Kenya.

b) Principal Activities

Principal Activity

The principal mandate of Modogashe Municipality is to promote, regulate, and provide essential urban services and infrastructure for the benefit of residents, businesses, and visitors within its jurisdiction. The main functions of the Municipality are drawn from Section 20 of the Urban Areas and Cities Act, 2011 and the Municipal Charter, and were officially transferred to the Municipality through Gazette Notice No. 14110.

In fulfilling this mandate, the Municipality is responsible for:

- Environmental management – solid and liquid waste management, sanitation, dumpsite management, recycling, and enforcement of waste laws.
- Urban infrastructure – construction and maintenance of municipal offices, roads, storm water drains, walkways, street lighting, and recreational parks.
- Public safety – provision of fire-fighting services, emergency preparedness, and disaster management.
- Urban planning and development control – zoning, land use management, urban planning, surveys, collection of land rates, and enforcement of development regulations.
- Revenue and compliance services – regulation of outdoor advertising and enforcement of municipal by-laws.
- Animal control and welfare – humane treatment of animals, disease prevention, and safe disposal of carcasses.

Vision

To become a beacon of sustainable urban development, integrating modern amenities with environmental stewardship for a thriving community.

Mission

To provide efficient, inclusive, and sustainable urban services and infrastructure that improve the quality of life for residents, promote economic growth, and safeguard the environment through effective governance, innovation, and community participation.

Core Objectives

The key objectives of the Municipality are aligned with its principal activities as outlined above. They focus on delivering efficient urban services, improving infrastructure, strengthening governance, enhancing public safety, ensuring sustainable development, and promoting community participation without repetition of the detailed activities listed in the mandate section.

c) Key Management

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

- County Department in charge of Municipalities
- Board of Management
- Municipality Manager
- Management

d) Fiduciary Management

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

Ref	Position	Name
1	Municipality Manager	Idris Sahal Kolon
2	Directors/Head of departments	Eng. Ndinya
3	Public works accountant	Maryan Mohamud

e) Fiduciary Oversight Arrangements

The Municipal Manager, who is the AIE holder, is accountable to the Municipal Board. The Municipal Board, in turn, is accountable to the County Executive Committee and the County Assembly. Fiduciary oversight is further strengthened through the following structures:

i) Audit and Risk Management Committee

The Board has constituted an Audit and Risk Management Committee, chaired by Hon. Idris Noor. The Committee provides oversight on risk management, internal controls, and implementation of audit recommendations to ensure sound financial management.

ii) County Assembly Committees

The Board is answerable to the County Assembly of Garissa and submits annual financial reports for review. In addition, the Board appears before relevant County Assembly committees whenever called upon, including the Public Accounts Committee, Implementation Committee, and Budget and Appropriations Committee, particularly on matters relating to financial management and accountability.

iii) Committees of the Senate

The Board may also be summoned to appear before relevant Committees of the Senate, such as the Public Investments Committee and the Public Accounts Committee, as the case may be. These engagements provide an additional layer of oversight and accountability at the national level.

f) Registered Offices

P.O. Box 563 – 70100
Lagdera Sub-County office building
Modogashe Garissa Road
GARISSA, KENYA

g) Contacts

Telephone: (+254) 721256810
E-mail: Modogashe.municipality@gmail.com
Website: <https://garissa.go.ke>

h) Bankers

Commercial Banks
National Bank: Account no: 7717597373




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

Name	Details of qualifications and experience
<p>1. Board Chairperson</p>  <p>Mr. Abdullahi Maalim</p>	<p>Mr. Abdullahi is the Chair of the Board of Modogashe Municipality. Professionally he is an administrator who served the Government of Kenya in different capacities, he was a registration officer with Civil registrar department before moving to the Administration and served as a District Officer for 20years. Mr. Abdullahi has over 40 years' experience working for the government of Kenya.</p>
<p>2. Vice Chairlady</p>  <p>MD. Amina Ali</p>	<p>Md. Amina holds a bachelor's degree in Education. She has a background of program implementation and currently works for a local organization that implements projects in Modogashe.</p>
<p>3. Board Member</p>  <p>MD. Maka.</p>	<p>Md. Maka is currently working for a local organization that deals with improving the nutritional status of under-five. She has 5 years in the field</p>

<p>3. Board Member</p>  <p>Mr. Idris Noor</p>	<p>Mr. Idris is an accountant by professional who worked with Government of Kenya for over 5years before retiring. He worked in different capacity including District Accountant, before joining Independent Electoral and Boundaries Commission as an accountant.</p>
<p>4. Municipality Manager</p>  <p>Mr. Idris Sahal Kolon</p>	<p>The Municipal Manager is Mr. Idris Sahal Kolon, aged 48 years, from Modogashe. Mr. Idris holds a Master's degree in Project Planning and Management from Moi University and has over 20 years of experience working with international organizations across Africa. His background includes organizing programs and activities in line with institutional missions and goals.</p>

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	<p>Municipality Manager</p>  <p>Mr. Idris Sahal Kolon</p>	<p>The Municipal Manager is Mr. Idris Sahal Kolon, aged 48 years, from Modogashe. Mr. Idris holds a Master's degree in Project Planning and Management from Moi University and has over 20 years of experience working with international organizations across Africa. His background includes organizing programs and activities in line with institutional missions and goals.</p> <p>The role of the Municipal Manager includes, but is not limited to:</p> <ul style="list-style-type: none"> i) Developing new programs to support the strategic direction of the organization. ii) Creating and managing long-term goals. iii) Developing budgets and operating plans for programs. iv) Designing evaluation methods to assess program strengths and identify areas for improvement. v) Preparing program funding proposals to ensure uninterrupted delivery of services. vi) Managing a team with a diverse array of talents and responsibilities.
2.	<p>Mrs. Maryan Mohamud</p>  <p>Accountant</p>	<p><u>Maryan Mohamud – Municipal Accountant</u> Date of appointment: 7th November, 2024. Education background: Bachelor in commerce Experience: 8 years of working experience in the public sector.</p>
3.		

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

4.		
----	--	--

5. Municipality Board Chairperson's Report

In the financial year 2024/2025, Modogashe Municipal Board made a number of strides in the discharge of its mandate. The Board has equally conducted meetings as required by the law, where several policy directions were given to the Municipal Manager for implementation.

- Board meeting to discuss the priorities and needs of the Municipality. The CEO presented on a number of priority areas to the Board for their input and adaptation in line with the devolved functions.
- Conducted a formal introductory meeting with the District Security Committee and Board for effective and efficient partnership and networking to enhance proper management of the Municipality.
- Assessment of Modogashe Municipal Market and identification of the gaps and needs of the market. The management led by the CEO conducted a visit to the market to identify the needs so the vendors can be relocated.
- During the nationwide tree planting exercise, the Municipality of Modogashe participated and planted 100 trees in the office as part of adapting to climate change effects and beautification of the town.
- General cleaning of the town and drainages within the Municipality. The management partnered with the community of Modogashe and dedicated a day for the general cleaning of the town. Following the heavy rains, many drainage systems had blocked and been damaged; therefore, the management conducted the cleaning exercise.
- Conducted staff meeting for introductory and planning purposes.
- Procured equipment for the sanitation team to enhance cleaning within the town.
- Identification of the needs of the office and procured 2 laptops and other office equipment.
- Follow-up of the KUSP program by the management to understand the needs and requirements of the program and prepare accordingly.
- Stakeholder mapping and analysis to enhance partnership and networking.
- Proposal development – the management developed two proposals submitted to donors for funding and support.
- Established a management committee for the slaughterhouse to identify gaps and formulate a workplan for efficient operations, leading to advancements in community health and sanitation.
- Collaboration with KWS (Kenya Wildlife Service). Efforts were initiated to reduce human-wildlife conflicts within the Municipality, and a structured action plan with clear timelines was developed.

- Mapping of all assets within the Municipality and development of an action plan on their proper utilization.
- Procurement of drums to enhance town cleaning and sanitation.
- Recruitment of 15 individuals to support the Municipality as kanjos.
- Establishment of billboards within the Municipality.
- Establishment of boda boda shade to enhance town image and security.

Funding Received

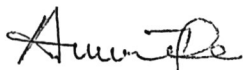
The Municipality budgeted Kshs. 10,000,000 for the financial year 2024/2025. However, after the supplementary budget, we were allocated Kshs. 5,000,000. As at June 2025, we received Kshs. 3,000,000 from the Treasury.

Challenges

The following are the impediments the Municipality is facing, which include but are not limited to:

1. An executive order should be written by the Governor asking the CECMs to release the functions in the charters, together with the staff and resources related to them, to the Municipalities created.
2. Staff establishment. The Municipalities must have the following critical staff in place:
 - Registered Engineer
 - Registered Planner
 - Internal Auditor
 - Substantive CEO
 - Accountant
 - Social Safeguards Officer
 - Environmental Safeguards Officer
 - Human Resource Officer
3. The Governor should write to the World Bank through the COG, resolving to participate in the KUSP2 and showing a commitment to conform to the requirements of the program by the County.
4. The Municipality should draft an Integrated Development Plan and have it approved by the Cabinet and the Assembly.
5. Means of transport are needed to enhance ease of movements and operations of the Municipality.
6. Slow flow of budgetary allocations and funds from the Treasury, hindering the running and service delivery of the Municipality.

7. Support to develop a Strategic Plan for the Municipality and other policy papers (e.g., Spatial Plan).



.....
Name: Abdullahi M. Hussein

Chairperson of the Board

6. Report Of the Municipality Manager

In the FY year 2024/2025 the county government of Garissa allocated the municipality of Modogashe Kshs 3 million. the municipality used the funds for office operations and payment of allowance to board members/staff and purchases of other procurable items as detailed here:

Item	Kshs
Supply of computer, laptops, printers and other its equipment	880,000
Supply and delivery of cleaning materials	580,000
Supply of Reflectors and business card	400,000
	566,800

- Board meeting to discuss the priorities and needs of the Municipality. The CEO presented on a number of priority areas to the Board for their input and adaptation in line with the devolved functions.
- Conducted a formal introductory meeting with the District Security Committee and Board for effective and efficient partnership and networking to enhance proper management of the Municipality.
- Assessment of Modogashe Municipal Market and identification of the gaps and needs of the market. The management led by the CEO conducted a visit to the market to identify the needs so the vendors can be relocated.
- During the nationwide tree planting exercise, the Municipality of Modogashe participated and planted 100 trees in the office as part of adapting to climate change effects and beautification of the town.
- General cleaning of the town and drainages within the Municipality. The management partnered with the community of Modogashe and dedicated a day for the general cleaning of the town. Following the heavy rains, many drainage systems had blocked and been damaged; therefore, the management conducted the cleaning exercise.
- Conducted staff meeting for introductory and planning purposes.
- Procured equipment for the sanitation team to enhance cleaning within the town.
- Identification of the needs of the office and procured 2 laptops and other office equipment.
- Follow-up of the KUSP program by the management to understand the needs and requirements of the program and prepare accordingly.
- Stakeholder mapping and analysis to enhance partnership and networking.

- Proposal development – the management developed two proposals submitted to donors for funding and support.
- Established a management committee for the slaughterhouse to identify gaps and formulate a workplan for efficient operations, leading to advancements in community health and sanitation.
- Collaboration with KWS (Kenya Wildlife Service). Efforts were initiated to reduce human–wildlife conflicts within the Municipality, and a structured action plan with clear timelines was developed.
- Mapping of all assets within the Municipality and development of an action plan on their proper utilization.
- Procurement of drums to enhance town cleaning and sanitation.
- Recruitment of 15 individuals to support the Municipality as kanjos.
- Establishment of billboards within the Municipality.
- Establishment of boda boda shade to enhance town image and security.

Funding Received

The Municipality budgeted Kshs. 10,000,000 for the financial year 2024/2025. However, after the supplementary budget, we were allocated Kshs. 5,000,000. As at June 2025, we received Kshs. 3,000,000 from the Treasury.

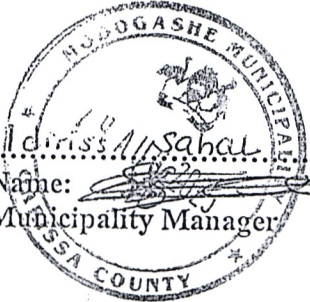
Challenges

The following are the impediments the Municipality is facing, which include but are not limited to:

8. An executive order should be written by the Governor asking the CECMs to release the functions in the charters, together with the staff and resources related to them, to the Municipalities created.
9. Staff establishment. The Municipalities must have the following critical staff in place:
 - i) Registered Engineer
 - ii) Registered Planner
 - iii) Internal Auditor
 - iv) Substantive CEO
 - v) Accountant
 - vi) Social Safeguards Officer
 - vii) Environmental Safeguards Officer
 - viii) Human Resource Officer

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

10. The Governor should write to the World Bank through the COG, resolving to participate in the KUSP2 and showing a commitment to conform to the requirements of the program by the County.
11. The Municipality should draft an Integrated Development Plan and have it approved by the Cabinet and the Assembly.
12. Means of transport are needed to enhance ease of movements and operations of the Municipality.
13. Slow flow of budgetary allocations and funds from the Treasury, hindering the running and service delivery of the Municipality.
14. Support to develop a Strategic Plan for the Municipality and other policy papers (e.g., Spatial Plan).


Name: Idriss A. Sahal
Municipality Manager

7. 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 Modogashe Municipality (state the period of the strategic document/plan) plan are to:

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

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Number of developments conforming with rules and regulations Governing	In FY under review, we increased by
Establishment of a Management Committee for Slaughterhouse	To identify gaps and formulate a work plan	Advancement of community health and sanitation	Number of meetings held	Quarterly meetings held to update progress
Disaster management	To manage the disasters within the municipality of Modogashe	Minimize the effect of the disasters	No of Disaster management session held.	Minimize disaster risk within the municipality of Modogashe.

8. Corporate Governance Statement

8.1 Process of Appointment and Removal of Board Members

Modogashe municipal board members were appointed as provided for in Section 11 of the Urban Areas and Cities (Amendment) Act, 2019. Upon nomination, the names of the nominees were forwarded to the County Assembly of Garissa for vetting and subsequent approval.

In terms of removal of the board members from office, the appointment letter given to them provides that, subject to Section 18 of the Urban Areas and Cities (Amendment) Act, 2019 and all applicable laws, either party can terminate the contract by giving 30 days' notice.

8.2 Roles and Functions of the Municipality of Modogashe Board Members

Pursuant to Article 184 of the Constitution of Kenya, Section 48(1)(a) of the County Government Act, 2012, Section 9(1) and Section 20 of the Urban Areas and Cities Act, 2011, and Section 2.1 of the Modogashe Municipal Charter, the Governor of Garissa County transferred the under-listed functions to the Municipality of Modogashe:

- a) Oversee the affairs of the Municipality of Modogashe
- b) Administer and regulate internal affairs
- c) Promote a safe and healthy environment
- d) Provide strategic leadership and governance
- e) Provide strategic direction
- f) Provide oversight

8.3 Induction and Training Municipality Board Members and Members Performance

As at the time of establishment of the board, the County Government of Garissa, through the Department of Physical Planning and Urban Development, conducted induction exercises for the board members. The induction focused on the following areas:

- Roles and functions of the municipal board
- Relationship between the municipal board and county government department
- Structure of Kenya Urban Support Program
- Corporate governance
- Strategic leadership and governance
- Financial management
- Risk management

In the financial year under review, board members were taken through trainings which focused on formulation of by-laws and preparation of various municipal plans.

8.4 Number of Municipality Board Meetings Held and Attendance to Those Meetings by Members

The number of municipal board meetings are capped by law at 4 ordinary sittings and special sittings in a year. In the financial year 2024/2025, the Modogashe Municipality Board conducted a total of 4 sittings. Four ordinary sittings were done once every quarter of the year.

Modogashe Municipality Board also has 3 sub-committees which include: Finance Committee, Program Committee, and Audit and Risk Committee.

8.5 Succession Plan

As per the applicable law, the board of the municipality shall be a body corporate with perpetual succession and common seal. Each member of the board shall hold office for a term of 5 years, on a part-time basis. The term of office of Modogashe Municipality Board members should lapse on 27th May 2029, upon which a new board will be established.

8.6 Existence of a Service Charter

Municipality of Modogashe has a service charter which was gazetted on 23rd October 2024 in the Kenya Government Gazette Notice Vol. 14110. The charter was then used by the government to confer the status of municipality to Modogashe town. The charter outlines how the operations of the municipality are undertaken.

8.7 Board Remuneration

As per the law, the board members are not entitled to salaries since they work on part-time basis. However, the individual members are being paid sitting allowances as per the letter from Salaries and Remuneration Commission dated August 2024.

9. Management Discussion and Analysis

(a) Operational and Financial Performance

The Municipality had an approved budget of Kshs. 3,500,000 for the year. Actual receipts amounted to Kshs. 3,003,500, reflecting a shortfall of Kshs. 496,500.

Total expenditure was Kshs. 2,515,266, leaving Kshs. 488,234 unutilized at year-end.

Expenditure Summary (Kshs. '000):

Item	Amount
Salaries and Wages	370,000
Operations & Maintenance	606,000
Other Recurrent Expenditure	1,539,266
Development Expenditure	0
Total Expenditure	2,515,266
Balance / Unutilized Funds	488,234

(b) Key Projects or Investment Decisions Implemented or Ongoing

No key development projects or capital investments were implemented during the period. The absence of development expenditure reflects inadequate funding allocated to capital works.

(c) Compliance with Statutory Requirements

Financial reporting complied with the Public Finance Management Act, 2012.

Being a newly established entity, the Municipality, with the support of the County Government, is in the process of developing and enacting laws, by-laws, and policies to strengthen governance, enhance compliance, and support effective operations.

(d) Major Risks and Material Arrears

The Municipality faces the following risks:

1. **Budget Shortfalls** – reduced allocations compared to approved budgets.
2. **No Development Funding** – No infrastructure development.
3. **Staffing and Resource Constraints** – insufficient staff and lack of operational resources hinder effective service delivery and regulatory compliance

10. Environmental And Sustainability Reporting

Modogashe exists to transform lives. This is our purpose; the driving force behind everything we do. It guides us to deliver our strategy, which is founded on Municipality pillars: putting the residents/citizens first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

1. Sustainability Strategy and Profile

The Municipality has developed several proposals and work plans, which have been shared with potential donors to sustain its programs.

2. Environmental Performance

The Municipality is keen on making the environment habitable and friendly. It has invested in tree planting and environmental cleaning initiatives. Recognizing that climate change is real, the Municipality is committed to implementing climate-sensitive programs.

3. Employee Welfare

The Municipality is guided by the Human Resource policy at the County level. Employee welfare is considered a top priority.

4. Marketplace Practices

The Municipality's pricing is guided by the Cities and Urban Areas Act, 2019, and its own by-laws, developed in consultation with citizens through citizen fora held twice a year.

a) **Responsible Competition Practice** – The Municipality ensures fair competition by upholding anti-corruption principles, avoiding irresponsible political involvement, and respecting competitors.

b) **Responsible Supply Chain and Supplier Relations** – The Municipality maintains good business practices, treats suppliers responsibly, honors contracts, and adheres to proper payment practices.

c) **Responsible Marketing and Advertisement** – Efforts are made to maintain ethical and transparent marketing practices.

d) **Product Stewardship** – The Municipality safeguards consumer rights and interests by ensuring services meet quality standards.

5. Community Engagements

The Municipality is engaged in community development through charitable giving (cash and material), social investment programs, and other community initiatives. This includes promoting education, sports, healthcare, labor relations, staff training and development, and water and sanitation projects. Where no CSR activities are undertaken during the year, the Municipality excludes this statement.

11. Report of the Municipality Board Members

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

Principal Activities

The principal activities of the Municipality are waste management, transportation, traffic management, disposal of waste, sanitation, drainage management, and street lights management.

Performance

The performance of the Municipality for the year ended June 30, 2025, is set out on page 1-5.

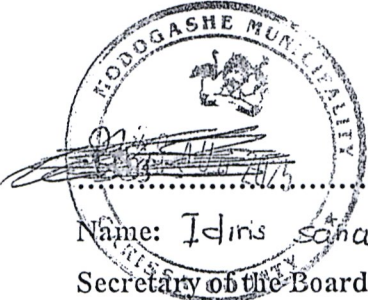
Board Members

The members of the Board who served during the year are shown on page vii. The changes in the Board during the financial year are as shown below:

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: Idinis sanal
Secretary of the Board

12. Statement of Management's Responsibilities

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

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

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

The Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Municipality Manager has assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Municipal financial statements were approved by the Board on 30TH JUNE, 2025 and signed on its behalf by:

Approval of the financial statements

The City/Municipal/City's financial statements were approved by the Board on ___ 2025 and signed on

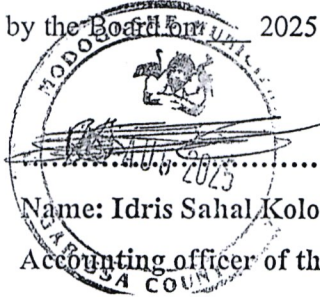
Approval of the financial statements

The Municipal/City's financial statements were approved by the Board on ___ 2025 and signed on its behalf by:

Abdullahi Maalim
.....

Name: Abdullahi Maalim

Chairperson of the Board


.....
Name: Idris Sahal Kolon
Accounting officer of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MODOGASHE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF GARISSA

PREAMBLE

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

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

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 Municipality of Modogashe set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net

Report of the Auditor-General on Modogashe Municipality for the year ended 30 June, 2025 – County Government of Garissa

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Municipality of Modogashe 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 amounts reflects final receipts budget and actual on comparable basis of Kshs.10,000,000 and Kshs.3,003,500 respectively, resulting to an under-funding of Kshs.6,996,500 or 70% of the budget. Similarly, the Municipality utilized Kshs.2,515,266 out of Kshs.3,003,500 available funds, resulting in under-utilization of Kshs.488,234 or 16%.

The under-funding and under-utilization 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 Matter

Other Information

The Management is responsible for the Other Information set out on page iii to xxiii which comprise of Key Entity Information and Management, the Municipality Board, Key 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: urban planning, establishment of a management committee for slaughterhouse, and disaster management. The performance report indicates that the Municipality had increased urban planning and minimized disaster. 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 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 effect(s) of the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I

confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Prepare and Submit Quarterly Financial Reports

During the year under review, Management did not prepare and submit quarterly financial reports. This is contrary to Section 166(1) of the Public Finance Management (PFM) Act, 2012, which states that an accounting officer for a County Government entity shall prepare a report for each quarter of the financial year in respect of the entity. The reports must be submitted to the relevant authorities within fifteen (15) days after the end of each quarter and must comply with the standards prescribed by the Public Sector Accounting Standards Board (PSASB).

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

2. Irregular Conferment of Municipality Status

Modogashe Town was granted a Municipal status on 14 March, 2024 through grant of charter. However, 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.

This is contrary to Section 9(3) of the Urban Areas and Cities Act, 2011 (Amended 2019) which provides that a town is eligible for the conferment of municipal status under this Act if the town:

- i) 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,
- ii) has an integrated development plan in accordance with this Act, and
- iii) has infrastructural facilities, including but not limited to street lighting, markets and fire stations.

In the circumstances, it was not possible to confirm the legality of the Municipal Status granted to Modogashe 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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the effect(s) of the matter(s) 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 Function

During the year under review, the Municipality did not have an internal audit unit. This is contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it complies with this Act and has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the circumstances, the existence of effective mechanisms and processes for review and evaluation of budgetary performance, financial management, transparency and accountability in the Municipality could not be confirmed.

2. Failure to Establish Audit Committee

During the year under review, the Municipality did not have an audit committee. This is 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.

Lack of audit committee may lead to reduced oversight of financial reporting which may increase risk of errors, misstatements or even fraud in financial records and report.

3. Weakness in Internal Control Systems

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

Responsibilities of the Management and 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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the Financial Statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section

48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

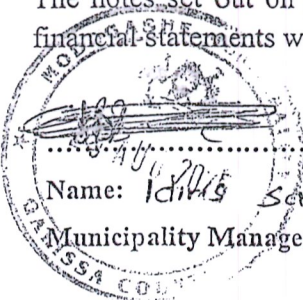
Nairobi

29 October, 2025

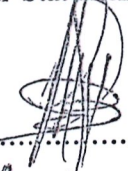
14. Statement of Financial Performance for The Year Ended 30 June 2025.

Description	Note	2024-2025
		FY
		Kshs.
Revenue from non-exchange transactions		
Transfers from the County Government	6	3,000,000
Public contributions and donations	7	3,500
		3,003,500
Revenue from exchange transactions		
Miscellaneous Income		
Total revenue		3,003,500
Expenditure		
Use of goods and services	8	1,539,266
Staff costs	9	370,000
Board expenses	10	606,000
Finance costs		0
Total expenses		2,515,266
Other gains/losses		
Gain/loss on disposal of assets		
Surplus/(deficit) for the period		488,234

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



 Name: Idhis Sahal
 Municipality Manager


 Name: ABDI ALI
 Head of Finance
 ICPAK M/No 29047

15. Statement of Financial Position As At 30 June 2025

Description	Note	2024-2025
		Kshs.
Assets		
Current assets		
Cash and cash equivalents	11	488,234
Inventories	12	
Total current assets		488,234
Non-current assets		
Property, plant, and equipment	13	
Total Non-current Assets		
Total assets (A)		
Liabilities		
Current liabilities		
Trade and other payables	14	
Total current liabilities		
Non-current liabilities		
Borrowings		
Total liabilities (B)		
Net Assets (A-B)		488,234
Represented by:		
Capital/Development Grants/Fund		
Reserves		488,234
Accumulated surplus		
Net Assets/Equity		488,234

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 _____ 2025 and

signed by
 Name: *Ugiris Samat*
 Municipality Manager
 Date: _____
 GARISSA COUNTY

.....
 Name: *Abdi Ali*
 Head of Finance
 ICPAK M/No *29047*
 Date: _____

16. Statement of Changes in Net Assets For the Year Ended 30 June 2025

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2025 (previous year)				
Surplus/(deficit) for the year		-		
Funds received during the year		-	-	
Revaluation gain/loss	-		-	
Bal as at 30 Jun 2025				
Bal as at 1 July 2025 (current year)				
Surplus/(deficit) for the year		-	488,234	488,234
Funds received during the year		-	-	-
Revaluation gain/loss	-		-	-
Balance as at 30 June 2025			488,234	488,234

17. Statement Of Cash Flows for The Year Ended 30 June 2025

Description	Note	2024-2025
		Kshs.
Cash flows from operating activities		
Receipts		
Transfers from the County Government		3,000,000
Public contributions and donations		3,500
Interest received		000
Miscellaneous receipts (<i>Specify</i>)		000
Total Receipts		3,003,500
Payments		
Use of goods and services		1,539,266
Staff costs		370,000
Board expenses		606,000
Finance costs		
Total Payments		(2,515, 266)
Net cash flows from operating activities	15	488,234
Cash flows from investing activities		
Purchase of PPE & intangible assets		(-)
Proceeds from sale of PPE		
Net cash flows used in investing activities		(-)
Cash flows from financing activities		
Receipts from Capital grants		
Proceeds from borrowings		
Repayment of borrowings		(-)
Net cash flows used in financing activities		(-)
Net increase/(decrease) in cash & cash equivalents		
Cash And Cash Equivalents At 1 July	17	-
Cash And Cash Equivalents At 30 June	17	488,234

(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).
 Comparative FY refers to the financial year preceding the current year.

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	B	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the previous year*	-					
Receipts						
Transfers from the County Government	10,000,000		10,000,000	3,000,000	7,000,000	30%
Public contributions and donations	-		-	3,500	(3,500)	0%
Total Receipts	10,000,000		10,000,000	3,003,500	6,996,500	30%
Payments			-		-	0%
Use of goods and services	7,200,000		7,200,000	1,539,266	5,660,734	21%
Board expenses	1,300,000		1,300,000	370,000	930,000	28%
Staff Costs	-		-	606,000	(606,000)	0%
Finance costs	-		-	-	-	0%
Total expenditure Payments	8,500,000	-	8,500,000	2,515,266	2,515,266	30%
Capital Expenditure Payments	1,500,000		1,500,000		1,500,000	0%
Surplus for the period	-			488,234		30%

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

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	488,234
1	Reason for differences	xx
2	Reason for differences	xx
3	Reason for differences	xx
4	Reason for differences	xx
	Closing Cash and Cash Equivalent as per the statement of Cash flows	488,234

19. Notes to the Financial Statements

1. General Information

Modogashe Municipality is established by and derives its authority and accountability from Act. The City/Municipality is under the Garissa County Government and is domiciled in Kenya.

The *entity's* principal activity is the management, regulation, and development of urban services and infrastructure within its jurisdiction. These include urban planning and development control, provision and maintenance of roads, drainage and street lighting, regulation of trade, markets and business licensing, promotion of environmental management, waste collection and sanitation, as well as enhancement of local economic development in line with both county and national development goals.

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 (*include any other applicable legislation*), 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)

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st 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. <i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st 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.

	<i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 46: Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47: Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 50: Exploration For & Evaluation of	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p>

Mineral Resources	<ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
-------------------	---

iii. 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.)*

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/25 was approved by the County Assembly on 27th July 2024 . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the City/Municipality upon receiving the respective approvals in order to conclude the final budget. Accordingly, the City/Municipality recorded additional appropriations of 10,000,000 on 28, March 2025 following the governing body's approval.

The City/Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on

accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under section 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 City/Municipality recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

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

e) Biological Assets

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

f) Financial instruments

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

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

Financial assets

Classification of financial assets

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

cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the City/Municipality.

h) Provisions

Provisions are recognized when the City/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 City/Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

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

j) Contingent liabilities

The 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.

k) 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 City/Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments

are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

l) Nature and purpose of reserves

The City/Municipality creates and maintains reserves in terms of specific requirements.
City/Municipality to state the reserves maintained and appropriate policies adopted

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

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

o) Foreign currency transactions

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

p) Borrowing costs

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

q) Related parties

The City/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 City/Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the City/Municipality Managers and City/Municipality Accountant.

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Events after the reporting period

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

Two types of events can be identified:

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

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

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

u) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the City/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 City/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 City/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 City/Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

Notes to the Financial Statements

6. Transfers from the County Government

Description	2024-2025
	Kshs.
Transfers from County Govt. – Recurrent	3,000,000
Payments by County on behalf of the entity	000
Unconditional development grants	-
Total	3,000,000

7. Public Contributions and Donations

Description	2024-2025
	Kshs.
Donation from development partners	
Contributions from the public	3,500
Total	3,500

8. Use of Goods and Services

Description	2024-2025
	Kshs.
Domestic travel and subsistence	237,500
Printing, advertising, supplies & services	10,000
Consultancy Services	346,360
Hospitality supplies and services	221,950.4
Office and general supplies and services	396,800
Waste collection and cleaning materials	320,000
Bank Charges	6,655.6
Depreciation and amortisation	000
Domestic travel and subsistence	237,500
Printing, advertising, supplies & services	10,000
Consultancy Services	346,360
Hospitality supplies and services	221,950.4
Office and general supplies and services	396,800
Waste collection and cleaning materials	320,000
Bank Charges	6,655.6
Total	1,539,266

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

9. Staff costs

Description	2024-2025
	Kshs.
Salaries and wages-Casual	370,000
Staff gratuity	
Social security contribution	
Other staff costs (<i>Specify</i>)	
Total	370,000

10. Board expenses

Description	2024-2025
	Kshs.
Chairman/Members' Honoraria	
Sitting allowances	606,000
Induction and Training	
Travel and accommodation	
Conference Costs	
Other allowances (<i>Specify</i>)	
Total	606,000

Description	2024-2025	2023-2024FY
	KShs	KShs
Property- Buildings		
Office equipment		
Furniture and fittings		
Motor vehicle expenses		
Maintenance of civil works		
Total repairs and maintenance		

11. Cash and cash equivalents

Description	2024-2025	2023-2024FY
	Kshs.	Kshs.
Fixed deposits account		
On – call deposits		
Current account		
Others(<i>specify</i>)		
Total cash and cash equivalents		

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

Financial institution	Account number	2024-2025
		Kshs.
a) Fixed deposits account		
Kenya Commercial bank		
Equity Bank, etc		
Sub- total		
b) On - call deposits		
Kenya Commercial bank		
Equity Bank - etc		
Sub- total		
c) Current account		
Kenya National bank	7717597373	488,234
Equity Bank - etc		
Sub- total		488,234
d) Others(specify)		
Cash in transit		
Cash in hand		
Mobile Money		
Sub- total		
Grand total		488,234

12. Inventories

Description	2024-2025	Insert
	FY	Comparative FY
	Kshs	Kshs
Consumable stores		
Medical supplies		
Spare parts and meters		
Water for distribution		
Other goods held for resale		
Catering		
Less: allowance for impairment	()	()
Total inventories at the lower of cost and net realizable value		

13. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
As at 1 July 2025 (previous year)								
Additions								
Disposals	0	0	0	0	0	0	0	0
Transfers/adjustments		-	0		0	0		0
Revaluation Adjustment								
As at 30th June 2025								
Additions for the year					-			
Disposals for the year	0	0	0	0	0	0	0	0
Transfer/adjustments	0	-			0	0		0
Revaluation Adjustment								
As at 30th June 2025 (current year)								
Depreciation and impairment								
At 1 July 2025 (previous year)								
Depreciation							-	
Impairment		-	-	-	-	0	-	0

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

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
Transfers/ Adjustments		-			0	0		0
As at 30 June 2025								
Depreciation for the year							-	
Disposals for the year		0	0	0	-	0	0	0
Impairment for the year		-	0	-	-	0	-	0
Transfer/adjustment		-	0	0		0	0	
As at 30 th June 2025 (current year)								
NBV as at 30 th Jun 2025 (previous year)								
NBV as at 30 th Jun 2025 (current year)								

(Include a brief description of WIP as a footer.)

14. Trade and Other Payables

Description	2024-2025		2023-2024FY	
	Kshs.		Kshs.	
Trade payables				
Retentions				
Accrued expenses				
Other payables (<i>Specify</i>)				
Total trade and other payables				
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year		%		%
1-2 years		%		%
2-3 years		%		%
Over 3 years		%		%
Total		%		%

15. Cash generated from operations

Description	2024-2025
	Kshs.
Surplus/ (deficit) for the year before tax	488,234
Adjusted for:	
Depreciation	
Amortisation	
Gains/ losses on disposal of assets	(-)
Working Capital adjustments	
Increase in inventory	(-)
Increase in receivables	(-)
Increase in payables	
Net cash flow from operating activities	488,234

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

16. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2024-2025	2023-2024FY
	Kshs.	Kshs.
Transfers from related parties'		
Transfers to related parties		

c) Key management remuneration

Description	2024-2025	2023-2024FY
	Kshs.	Kshs.
Board Members		
Key Management Compensation		
Total		

d) Due from related parties

Description	2024-2025	2023-2024FY
	Kshs.	Kshs.
Due from parent Ministry		
Due from County Government		
Due from County Assembly		
Total		

e) Due to related parties

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

17. Contingent liabilities

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

(Give details)

18. Contingent Assets

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

19. Financial risk management

The City/Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The City/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 City/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 City/Municipality's financial risk management objectives and policies are detailed below:

I. Credit risk

The City/Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the City/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 City/Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025 (current year)				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				
At 30 June 2025 (previous year)				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances				
Total				

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

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

The City/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 City/Municipality Manager, who has built an appropriate liquidity risk management framework for the management of the City/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.

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2025 (current year)				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				
At 30 Jun 2025 (previous year)				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				

III. Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the City/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 City/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 City/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 City/Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

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

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

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

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2025 (current year)			
Euro	10%		
USD	10%		
2025 (previous year)			
Euro	10%		
USD	10%		

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

Description	2024-2025	2023-2024FY
	Kshs.	Kshs.
Revaluation reserve		
Capital/Development Grants/City/Municipality		
Accumulated surplus		
Total Funds		
Total borrowings		
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)		
Gearing	xx%	xx%

20. Program for Results (PforR) Disclosure

This disclosure note is for entities that are implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of the PforR: xx	
Financing Partners: x	
Purpose of the PforR: xx	
Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	
Actual expenditure in the current financial year.	
<ol style="list-style-type: none"> 1. Employee Cost 2. Use of goods and Services 3. Grants and Subsidies 4. Building of ECDE facilities 5. Others (specify) 	
Sub-total	
Cumulative Actual Expenditures to date	

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
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
 Modogashe Municipality
 Annual Report and Financial Statements for the year ended June 30, 2025

Appendix 2: Inter-Entity Transfers

CITY/MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of County				
FY 2025/2025				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			3,000,000	2024/2025
			xx	
		Total		
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
		Total		

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



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

Appendix 3: Reporting of Climate Relevant Expenditures

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

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

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

Appendix 4: Disaster Expenditure Reporting Template

Date:

Entity

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