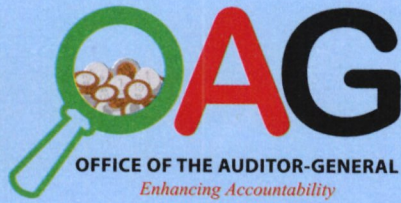
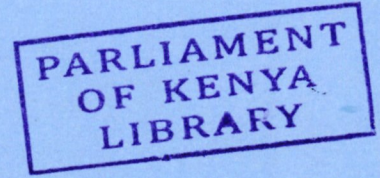


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**ELWAK MUNICIPALITY**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

**COUNTY GOVERNMENT OF MANDERA**

PAPERS LAID	
DATE	13.11.25.
TABLED BY	S.M.L
COMMITTEE	-
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**ELWAK MUNICIPALITY**  
*County Government of Mandera*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE 2025**

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

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

**A. Acronyms**

PSASB	Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
FY	Financial Year
PFMA	Public Finance Management Act
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**

Elwak Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter on 15th May 2020, The Municipality is under the County Government of Mandera and is domiciled in Kenya.

**b) Principal Activities**

The principal activity/mission/ mandate of the Municipality is

- a) Promotion, regulation and provision of refuse collection and solid waste management services;
- b) Construction and maintenance of storm drainage and flood controls
- c) Construction and maintenance of recreational parks and green spaces;
- d) Construction and maintenance of street lighting;
- e) Construction, maintenance and regulation of traffic controls and parking facilities;
- f) Construction and maintenance of bus stands and taxi stands;
- g) Construction, maintenance and regulation of municipal markets and abattoirs;
- h) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- i) Promotion, regulation and provision of animal control and welfare;
- j) Municipal administration services (including construction and maintenance of administrative offices);
- k) Climate Change management and greening of Municipality

**c) Key Management**

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

- County Department of Lands, physical planning, Housing, Urban Development, Circular Economy, Solid waste management and Sanitation
- Board of Management
- County Chief officer Housing and Urban Development
- Management

**d) Fiduciary Management**

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

SN	Position	Name
1	Municipality Manager	Mr. Abdi Hassan Abdulla
2	Deputy Municipal Manager	Mr. Ibrahim Issackow Hussein
3	Head of finance	Kadra Hassan Adan
4	Head of Procurement department	Mr. Mohamud Mohamed Ali
5	Head of Energy, environment and sanitation	Mr. Abdikarim Mohamed Aburo

**e) Fiduciary Oversight Arrangements**

- i) Municipal board
- ii) Mandera county executive
- iii) Mandera county Assembly.
- iv) Audit and Risk Management Committee
- v) Committees of the Senate

**f) Registered Offices**

P.O. Box 22-70301  
Sub-County HQs  
Mandera South  
Elwak, Kenya

**g) Contacts**

Telephone: (254) 724073916  
E-mail: [elwakmunicipality.co.ke](mailto:elwakmunicipality.co.ke)  
Website: [www.elwakmunicipality.co.ke](http://www.elwakmunicipality.co.ke)

**h) Bankers**

Equity Bank  
P.O. Box 536  
Mandera Branch  
Mandera, Kenya



**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. Elwak Municipality Board**

Name	Details of qualifications and experience
<p>1. Mr. Said Ibrahim Hassan</p> 	<p>Mr. Said Hassan is the Chairman of the Elwak Municipal Board. He is currently pursuing a Master of Science in Project Management at Jomo Kenyatta University of Agriculture and Technology.</p> <p>He holds a Bachelor's degree in Business Management from the East African University and a Diploma in Clinical Medicine and Surgery from the Kenya Medical Training College. Mr. Hassan is also an affiliate of the Kenya National Union of Nurses.</p> <p>He has extensive experience working with both government and non-governmental organizations. Prior to joining the board, he served as Head of Mission for South Sudan at the Mercy-USA Regional Office.</p>
<p>2. Mrs. Khadija issack Ibrahim</p> 	<p>Mrs. Khadija is the Vice Chairperson of the Elwak Municipal Board. She holds a Diploma in Early Childhood Development (ECDE) from Mandera DICECE (2011–2012).</p> <p>A teacher by profession, she has 28 years of teaching experience and currently serves as the Deputy Principal at El-Agarsu Secondary School.</p>
<p>3. Mrs. Amina Maalim Ibrahim</p> 	<p>Mrs. Amina is a Board Member of the Elwak Municipal Board. She holds a Diploma in Educational Management Systems from the Kenya Educational Management Institute (KEMI) (2016) and a Diploma in Education from Kampala University (2009–2011). She also completed her P1 Teacher Training at Egoji Teachers Training College (1986–1988).</p> <p>Mrs. Amina has served as a teacher in various schools for many years and currently works as the Deputy Head Teacher at Al-Rowdha Integrated Primary School.</p>

<p><b>4. Mr. Ismail Hassan Issack</b></p> 	<p>Mr. Ismail is a Board Member of the Elwak Municipal Board. He holds a Bachelor's Degree in Business Management (Sales and Marketing option) from the East African University (2014–2017), a Diploma in Human Resource Management from the Kenya School of Professional Studies (2004–2005), and a P1 Teacher's Certificate from Kericho Teachers College (1993–1995).</p> <p>Mr. Ismail currently serves as a Senior Customer Relations and Marketing Officer with Kenya Power, Mandera Office. He previously served as a member of the Power Regional Committee for HIV/AIDS, Drugs, and Substance Abuse. Mr. Ismail also worked for many years as a teacher at Alweis Primary School and is an affiliate of the Marketing Society of Kenya (MSK).</p>
<p><b>5. Mr. Adan Alio Tache</b></p> 	<p>Mr. Adan is a Board Member of the Elwak Municipal Board. He holds a Bachelor of Education (Science) degree and has seven years of teaching experience. Mr. Adan currently serves as a Senior Teacher at Borehole 11 Secondary School. He represents the youth in the Board.</p>

<p><b>6. Mr. Shukri Mohamed</b></p> 	<p>Mr. Shukri is a Board Member of the Elwak Municipal Board. He is currently pursuing a Diploma in Anaesthesia at the Kenya Medical Training College. He also holds a Diploma in Community Health Nursing from the Kenya Medical Training College, Nairobi Campus.</p> <p>Mr. Shukri serves as a nurse at the Mandera County Referral Hospital and is an affiliate of the Kenya National Union of Nurses.</p>
<p><b>7. Mr. Salah Maalim Alio</b></p> 	<p>Mr. Salah is the County Executive Committee Member for Lands, Physical Planning, Housing, Urban Development, Circular Economy, Solid Waste Management, and Sanitation. He holds a Master of Science in Governance, Peace, and Security Management, as well as an undergraduate degree in Business Management.</p> <p>Mr. Salah has extensive experience in consultancy work with both non-governmental and local organizations, focusing on governance, peace and security management, leadership, and climate change. He previously served as a two-term elected Councilor in the defunct Mandera County Council from 2002 to 2013.</p> <p>Before his current appointment, Mr. Salah served as a Member and Chairperson of the Mandera Municipality Board from 2018 to 2021. He is also an Executive Member and serves on the Finance, Administration, Development and Enforcement, and Fire and Disaster Management Committee.</p>
<p><b>8.</b></p>	<p>Mrs. Zeituna Abdi Shakur is the County Chief Officer for Housing and Urban Development. She holds a Bachelor's Degree in Business Administration and has nine years of experience working at management level.</p>

**9. Mr. Abdi Hassan Abdulla**








Mr. Abdi Hassan Abdulla is the Secretary to the Municipal Board and the Manager of Elwak Municipality. He serves as the Accounting Officer for the Municipality.

Mr. Abdi holds a Bachelor of Science in Microbiology and is currently pursuing a Master of Business Administration (MBA) at Mount Kenya University. He previously served as the Economic Advisor to the Governor of Mandera County from October 2018 to September 2020 and worked with the Kenya Bureau of Standards (KEBS) as a Principal Quality Assurance Officer from 2004 to 2018.

Mr. Abdi is also an Auditor and a Trainer in Quality Management Systems (ISO 9001:2015). Earlier in his career, he worked with the African Muslim Agency as an Executive Secretary before joining KEBS.

4. Key Management Team

Name	Details of qualifications and experience
<p><b>1. Mr. Abdi Hassan Abdulla</b></p> 	<p>Mr. Abdi Hassan Abdulla is the Secretary to the Municipal Board and the Manager of Elwak Municipality. He serves as the Accounting Officer for the Municipality.</p> <p>Mr. Abdi holds a Bachelor of Science in Microbiology and is currently pursuing a Master of Business Administration (MBA) at Mount Kenya University. He previously served as the Economic Advisor to the Governor of Mandera County from October 2018 to September 2020 and worked with the Kenya Bureau of Standards (KEBS) as a Principal Quality Assurance Officer from 2004 to 2018.</p> <p>Mr. Abdi is an Auditor and a Trainer in Quality Management Systems (ISO 9001:2015). Before joining KEBS, he worked with the African Muslim Agency as an Executive Secretary.</p>
<p><b>2. Mr. Ibrahim Issackow Hussein</b></p> 	<p>Mr. Ibrahim is the Deputy Manager of Elwak Municipality. He holds a Bachelor of Education (Arts), a Diploma in Education, and a P1 Teacher's Certificate.</p> <p>Mr. Ibrahim was employed by the Teachers Service Commission (TSC) from 2008 to November 2018, during which he rose through the ranks from Classroom Teacher to Senior Teacher, Deputy Head Teacher, and eventually Head Teacher.</p> <p>He joined the Mandera County Government in November 2018 as the Town Administrator for Elwak Town. He later served as the Assistant Director for Gender and Social Services, Mandera County, and currently serves as the Deputy Municipal Manager of Elwak Municipality.</p>

<p><b>3. Kadra Hassan Adan.</b></p> 	<p>Mrs. Kadra Hassan Adan is the Head of Finance and Administration at Elwak Municipality. She holds a Bachelor of Business Administration (Accounting option) and has ten years of experience in finance and accounting.</p>
<p><b>4. Mr. Mohamud Mohamed Ali</b></p> 	<p>Mr. Mohamud is the head of Supply Chain Management. He holds a Bachelor's degree in Business Management (Purchasing and Supplies option) and has seven years of experience in the field of procurement and supply chain management.</p>
<p><b>5. Mr. Abdikarim Mohamed Aburo</b></p> 	<p>Mr. Abdikarim is the Head of the Department of Energy, Environment, and Sanitation. He holds a Bachelor of Science degree in Environmental Management and Conservation from Masinde Muliro University.</p> <p>He serves as the Chief Environment Officer and has accumulated six years of working experience. He is a NEMA-licensed EIA/EA Associate Expert.</p>

## 5. Municipality Board Chairperson's Report

Elwak Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter on 15<sup>th</sup> May 2020. The Municipality is under the County Government of Mandera and is domiciled in Kenya.

The Board of the Municipality shall be a corporate body with perpetual succession and a common seal and is capable of:

- a) Suing and being sued;
- b) Taking, purchasing or otherwise acquiring, holding, charging or disposing of movable and immovable property;
- c) Borrowing money or making investments within the limits imposed by law
- d) Entering into contracts; and
- e) Doing or performing all other act or things for the proper performance of its functions in accordance with the Urban Areas and Cities Act or any other written law which may lawfully be done or performed by a body corporate.

There is a principal and agency relationship between the Board of the Municipality and the Mandera County Government. The Elwak Board of the Municipality consists of nine members appointed by the Governor with the approval of the County Assembly. The Board of Directors consists of the Chairperson, Vice Chairperson, and County Executive Committee Member for Lands, Physical Planning, Housing, Urban Development, Circular Economy, Solid Waste Management and Sanitation, the Chief Officer Housing and Urban Development, and five other members. During the year under review, there were no changes in the board and key management.

The Municipal Manager is an ex officio member and secretary to the Board. In the last financial years of operation, Elwak Municipality achieved the following:

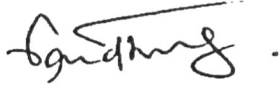
- Transfer of revenue collection role from the county executive to the Municipality.
- Operationalization of the revenue department.
- Stakeholder engagement and public participation
- Increase in the afforestation cover.
- Improvement of the municipal roads.
- Storm water drainage.
- Increased collection and disposal of solid waste.
- Engaged over 350 vulnerable persons as casuals for sanitation and greening programs.

However, Elwak Municipality was faced with the following challenges during the reporting period:

- Budgetary constraints.
- Some key functions of the Municipality have not been transferred, i.e., Land Urban Development and some sectors of revenue.
- Lack of approved spatial plan.
- Flooding due to poor drainage system.
- Lack of equipment for the Department of Fire.

The Municipal Board anticipates overcoming the above challenges in the forthcoming financial periods by employing the following strategies:

- The Board will engage the County Government to increase the donation and also exploit potential donors to overcome budget constraints.
- The Board will engage the Department of Land for the fast-tracking of the approval of the spatial plan and the construction of the drainage system thereafter.
- The Board will formally engage the Governor to transfer the functions that were not transferred.
- The Board will engage the Public Service Board to employ staff to overcome the gap in human resources.



.....

**Name: Said Ibrahim Hassan**

**Chairperson of the Board**

## **6. Report of the Municipality Manager.**

I hereby take this opportunity to forward the annual financial statement for the year 2024/2025. This being the fifth financial statement to be prepared since the inception of Elwak Municipality, there were some unique challenges in preparing the same. The Municipality uses cheques in transacting its business.

During the period under review, Elwak Municipality received a budget allocation of Kenyan shillings ninety-three million eight hundred seventy thousand (Kshs. 93,870,000) as a grant from the County Government of Mandera against an approved budget of one hundred twenty-five million six hundred sixty-nine thousand three hundred (Kshs. 125,669,300) as at 30th June, 2025, and utilized eighty-eight million eight hundred seventy thousand (Kshs. 88,870,000). However, the Municipality has not received an amount of Kenya shillings five million (Kshs. 5,000,000) of the allocated and approved budget from the county government as at 30th June 2025. The budget allocation was a decrease from Ksh. 113,000,000 allocated in the financial year 2023/2024.

The Municipality paid Kenyan shillings three million three hundred twenty-eight thousand nine hundred sixty-four (Kshs. 3,328,964) of the previous year's pending liabilities. The Municipality's accumulated liability as at 30th June 2025 stands at Kenya shillings forty-seven million eight hundred sixty-nine thousand five hundred seventy-one (Kshs. 47,869,571).

In December 2024, the County Executive Committee Member for Finance designated Elwak Municipality as a receiver of revenue from different revenue streams. The Municipality collects revenue on behalf of the County Government and submits it to the Mandera County Revenue Fund at the Central Bank.

### **Budget Performance**

The Municipality has utilized an overall budget utilization of 75% of the allocated and approved budget for the financial year 2024/2025.

### **Value for Money Achievement**

Overall, in running our programmes, value for money has been attained, and the envisaged goals of the Municipality have been achieved.

### **Achievements**

- Fully furnished and operationalized the office.
- Afforestation initiatives.
- Cleaning of the town.
- Engaged 350 vulnerable persons as casuals for sanitation and greening programs.
- Undertaken flood control and storm drainage during the El Niño.
- Improvement of municipal roads.

### **Challenges**

- Budgetary constraints.
- Some key functions of the Municipality have not been transferred, i.e., Land Urban Development.

- Lack of staff and equipment for the Department of Fire.

**Strategies to Overcome Challenges**

- Engage the County Government to increase the donation and also exploit potential donors to overcome budget constraints.
- Engage the Governor to transfer the functions that were not transferred.
- Engage the Public Service Board to employ staff to overcome the gap in human resources

Finally, I wish to thank all staff of Elwak Municipality for executing their duties as required and for their continued commitment to enable the Municipality attain its planned objectives.



**Name: Abdi Hassan Abdulla  
Municipality Manager.**

**7. Statement of Performance Against Predetermined Objectives for the FY 2024/2025**

The key development objectives of the Elwak Municipality plan are to:

1. Provide for the efficient and accountable management of the affairs of the Municipality.
2. Provide for a governance mechanism that will enable the inhabitants of the Municipality to:
  - Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
  - Vigorously pursue the development opportunities which are available in the Municipality and to institute such measures so as to enhance the quality of life of the inhabitants.
  - Provide a high standard of social services in a cost-effective manner to the inhabitants of the Municipality.
  - Foster economic, social, and environmental well-being of the inhabitants.
  - Provide for services and bylaws for the benefit of the Municipality.

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Sanitation programme	Reduce idle solid wastes in town	To create a clean and safe environment for the citizens	Number of cleaning sessions	Cleaning was conducted every day throughout the reporting period
Afforestation programme	Greening of the municipality	To create a beautiful and climate friendly environment	Number of trees planted and maintained	Approximately 1,800 trees have been planted and the trees are watered on daily basis
Street lighting programme	To increase access to solar power lighting	To prevent crimes and improve illumination	solar panels maintained	Elwak town was powered and the lighting maintained from vandalism

## **8. Corporate Governance Statement**

Elwak Municipality is keen on ensuring the adoption of good corporate governance.

### **Corporate Governance**

The Municipal board is responsible for the governance of the Elwak Municipality and is accountable to the stakeholders for ensuring that the Entity complies with the law, the highest standards of corporate governance and ethics. The committee attach great importance to the need to conduct the operations of the entity with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

### **Code of Conduct and Ethics**

Elwak Municipality is committed to corporate ethics, integrity and professionalism in all its activities. As part of this commitment, members of the Municipal board have pledged to uphold the tenets of good corporate governance by being accountable, efficient, effective, responsible, transparent, persons of integrity and exercise fairness in all their dealings.

### **Board Composition, Process of Appointment and Removal of Board Members**

The Board of the Municipality consists of nine members appointed by the Governor with the approval of the County Assembly. The members of the board are constituted as follows:

- The county executive member for the time being responsible for cities and urban areas or his representative;
- Three members appointed by the county governor, with the approval of the county assembly;
- Four members nominated by an association and appointed by the county governor, with the approval of the county assembly;
- The chief officer responsible for urban development; and
- The municipal manager appointed under section 28 who shall be the secretary of the board and an ex officio member of the board.

In appointing members of the Board of the Municipality, the County Executive Committee ensured gender equity, representation of persons with disability, youth and marginalized groups.

A person shall be qualified for appointment as a chairperson of the board if that person:

- Holds at least a degree from an institution recognized in Kenya;
- Has a distinguished career in a medium level management position in either the private or public sector;
- Holds at least ten years' post qualification professional experience;
- Satisfies the requirements of Chapter Six of the Constitution;
- Is ordinarily resident or has a permanent dwelling in the municipality; and
- Carries on business in the municipality or has lived in the municipality for at least five years.

A person is qualified for appointment as a member of the board if that person:

- Holds at least a diploma from an institution recognized in Kenya;
- Has a distinguished career in a medium level management position in either the private or public sector;
- Holds at least five years' post qualification professional experience;
- Satisfies the requirements of Chapter Six of the Constitution;
- Is ordinarily resident or has a permanent dwelling in the municipality; and
- Carries on business in the municipality or has lived in the municipality for at least five years.

A person shall not be appointed as a member of the Board if that person:

- Is an undischarged bankrupt;
- Has been removed from office for contravening the Constitution or any other law;
- Is not a citizen of Kenya; or
- Has in the conduct of his or her affairs not met any statutory obligations.

#### **Removal of the Members of the Board of Municipality**

- Is unable to perform the functions of the office by reason of mental or physical infirmity;
- Is declared or becomes bankrupt or insolvent;
- Is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- Resigns in writing to the County Governor;
- Without reasonable cause, the member is absent from three consecutive meetings of the Board or Committee of the Board within one financial year;
- Is found guilty of professional misconduct by the relevant professional body;
- Is disqualified from holding a public office under the Constitution;
- Fails to declare his or her interest in any matter being considered by the Board or its Committees;
- Engages in any gross misconduct; or
- Dies.

#### **Orientation of Municipal Board**

All the Municipal board members are required to update their skills relevant to the Elwak Municipality's mandate. During the reporting period, induction and training were undertaken to equip the Board with the necessary skills for effective discharge of their mandate.

#### **Responsibilities of the Board**

The committee always acts in the best interest of the Entity based on principles of transparency, integrity, efficiency, effectiveness and accountability. The Board develops and annually approves its Work Plan to guide activities and ensure effective meetings. The Work Plan is approved before the commencement of the financial year.

### **Information to the Board**

All the committee members receive regular reports and information that enable them to review the Elwak Municipality's performance. These reports are circulated in a timely manner to facilitate preparation for meetings. The committee members may also suggest additional topics for discussion.

### **Board's Remuneration**

The committee members were not remunerated for the services they offered during the financial year. They were paid sitting allowances for board meetings in accordance with Salaries and Remuneration Commission's regulations.

### **Meeting Attendance**

The Board meets at least once in every quarter depending on the exigencies of the business. Special meetings are held to deliberate on pending items. During the period under review, the Board members demonstrated commitment through regular attendance and active participation in discussions.

### **Statement of Social Responsibility**

Elwak Municipality recognizes the importance of being socially responsible by upholding values, principles and aspirations that meet the expectations of the stakeholders it interacts with.

### **Guiding Principles**

Elwak Municipality respects the community in which it operates and maintains open dialogue to ensure that it provides necessary support based on its abilities.

### **Environment**

Elwak Municipality takes conscious measures to minimize any adverse effects on the environment by advocating for proper disposal of used facemasks, sanitizer bottles, boxes and other wastes. The Board is also implementing a sound succession plan, service charter and other management frameworks.

### **Conflict of Interest**

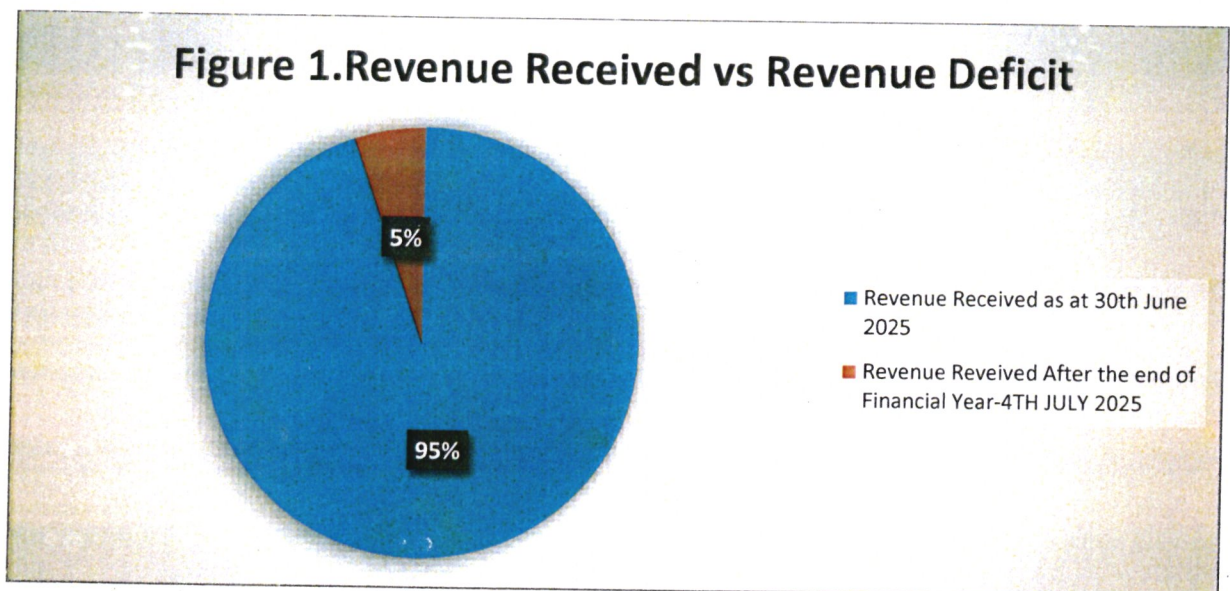
The Trustees are under a fiduciary duty to act honestly and in the best interest of the Elwak Municipality. Accordingly, they must refrain from discussing or voting on matters where a real, perceived, or potential conflict of interest exists.

## 9. Management Discussion and Analysis

Elwak Municipality has been in existence since 2020 and has been performing its functions as per the Municipal Charter. During the financial year 2024/2025, Elwak Municipality had an approved budget of Kenyan Shillings one hundred twenty-five million six hundred sixty-nine thousand three hundred (Kshs. 125,669,300). The County Treasury disbursed funds to Elwak Municipality on a quarterly basis, and at the end of the period under review, Elwak Municipality had received Kenyan Shillings ninety-three million eight hundred seventy thousand (Kshs. 93,870,000) out of its budgeted revenue. This represents a performance of 75% of the approved allocation.

However, the Municipality received the remaining Kenyan Shillings five million (Kshs. 5,000,000) after the closure of the books on 2nd July 2025, thus accounted for as receivables as at 30th June 2025.

Thus, the Municipality has not received an amount of Kenyan Shillings thirty-one million seven hundred ninety-nine thousand three hundred (Kshs. 31,799,300), which relates to trade receivables for the period.

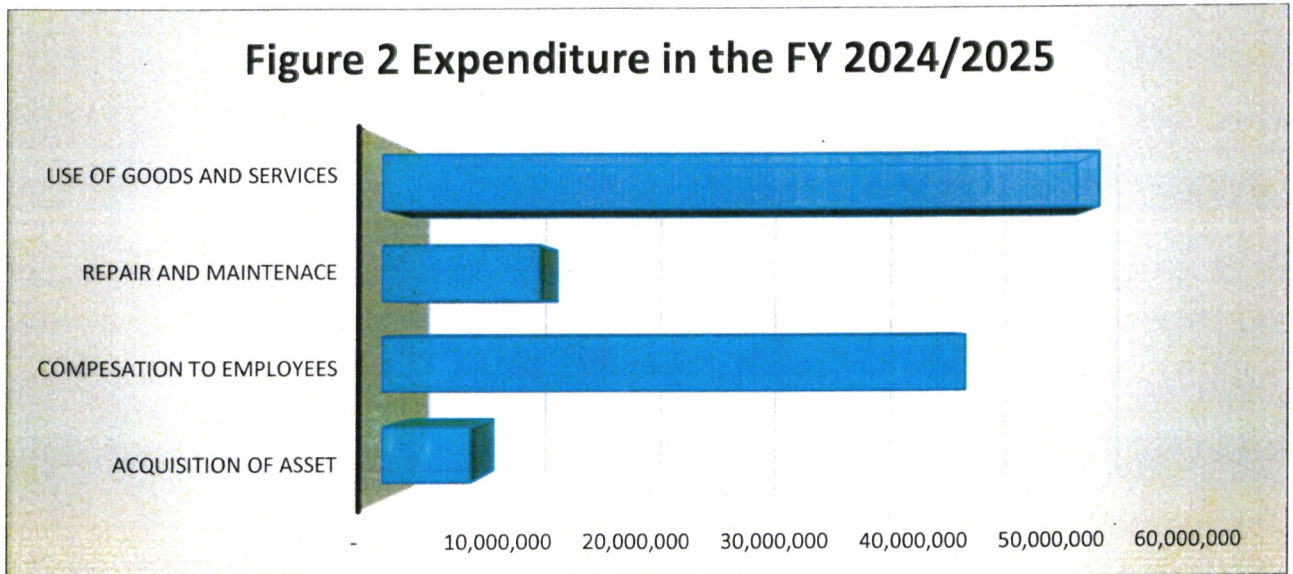


As indicated in the figure above, Elwak Municipality experienced a budget deficit of Kshs. 5,000,000, which represented 5% of the actual allocation.

Of the amount received during the financial year, the Municipality paid previous year liabilities amounting to Kenyan Shillings three million three hundred twenty-eight thousand nine hundred sixty-four (Kshs. 3,328,964). This payment reduced the previous liability to Kenyan Shillings twenty-six million eight hundred sixty-four thousand eight hundred eighty-three (Kshs. 26,864,883).

However, the Municipality incurred new liabilities during the year under review totaling Kenyan Shillings twenty-one million four thousand six hundred eighty-eight (Kshs. 21,004,688). Consequently, the accumulated liability increased to Kenyan Shillings forty-seven million eight hundred sixty-nine thousand five hundred seventy-one (Kshs. 47,869,571) as at 30th June 2025.

Nonetheless, Elwak Municipality utilized the funds received prudently. The Municipality incurred expenditure as highlighted in the table below:



As highlighted in the figure, the Municipality's expenditure comprised of 38% incurred on staff costs, 46% on use of goods and services, 6% on acquisition of asset, as well as 10% on Repair and maintenance.

## **10. Environmental and Sustainability Reporting**

Elwak Municipality exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence.

### **1. Sustainability Strategy and Profile**

Sustainable development has been fully incorporated by the Elwak Municipality. Our corporate sustainability contains three pillars: economic, ecological and social. For a comprehensive corporate sustainability strategy, the county understands it is necessary to consider all dimensions, their impacts and their interrelations. External influences also affect the corporate orientation on sustainability. Moreover, corporate sustainability also has positive effects on society in the long term. Elwak Municipality follows an introverted – risk mitigation strategy focusing on legal and other external standards concerning environmental and social aspects in order to avoid risks for the entity.

### **2. Environmental Performance**

As part of Elwak Municipality's contribution to Mandera County's development agenda and our intent towards improving the wellbeing of our communities, in the financial year, Elwak Municipality rolled out tree planting and greening programs in Elwak town and has been maintaining them ever since. Also, Elwak Municipality has been undertaking solid waste disposal and management. Keeping the environment clean and green is the main focus of Elwak Municipality in line with the climate change management agenda.

### **3. Employee Welfare**

Elwak Municipality's success is largely dependent on our human capital (people). Therefore, at Elwak Municipality, we seek to recruit, retain, reward and develop the best talent in the country. We also recognize the need to inculcate among our employees the culture of being sensitive to matters of safety, security, society and the environment. This ensures that employees act with integrity and responsibility with the people they deal with and the environment they interact with. We train employees to value each other, provide necessary support systems for people with different needs and have a system in place that encourages acceptance of cultural diversity. Further, we continually seek to improve the welfare and skills of our employees through structured programs for personal and professional development, especially for vulnerable mothers who water trees and engage in town cleaning programmes.

### **4. Market Place Practices**

a) Responsible Supply Chain and Supplier Relations - Elwak Municipality recognizes that responsible Supply Chain Management has a profound effect on any organization's reputation. Reputation influences the stakeholders' perceptions, their choices and investment intentions, and financial performance. Thus, we practice responsible corporate behavior that builds trust and enhances our overall reputation, which in turn attracts investors, employees, suppliers and distributors, not to mention earning the public's goodwill.

b) Responsible Ethical Practices - Elwak Municipality is a corruption-free organization with a reputable corruption-free environment.

### **5. Community Engagements**

Elwak Municipality recognizes the importance of community engagement in its undertakings. The Municipality engages different stakeholders through quarterly citizen forums and public participation during the budget formulation. The Municipality also holds private sector engagement forums. It engages youth and women in the celebration of world environmental days and also takes part in the celebration of International Women's Day and Youth Week.

## 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 Elwak Municipality affairs.

### Principal activities

The principal activities of the Elwak Municipality are:

- a) Promotion, regulation and provision of refuse collection and solid waste management services;
- b) Construction and maintenance of storm drainage and flood controls;
- c) Construction and maintenance of recreational parks and green spaces;
- d) Construction and maintenance of street lighting;
- e) Construction, maintenance and regulation of traffic controls and parking facilities;
- f) Construction and maintenance of bus stands and taxi stands;
- g) Construction, maintenance and regulation of municipal markets and abattoirs;
- h) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- i) Promotion, regulation and provision of animal control and welfare;
- j) Municipal administration services (including construction and maintenance of administrative offices);
- k) Climate Change management and greening of Municipality

### Performance

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

### Board Members

The members of the Board who served during the year are shown on page iv. There are no changes in the Board during the financial year.

### Auditors

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

By Order of the Board



**Name: Abdi Hassan Abdulla**  
**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 Elwak 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 Elwak Municipality manager is responsible for the preparation and presentation of the Elwak Municipality's financial statements, which give a true and fair view of the state of affairs of the Elwak 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 Elwak 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 Elwak Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

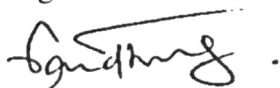
The Elwak Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner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

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Elwak Municipality Manager to indicate that Elwak 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 Elwak Municipal's financial statements were approved by the Board on 10<sup>th</sup> July 2025 and signed on its behalf by:



**Name: Said Ibrahim Hassan**

**Chairperson of the Board**



**Name: Abdi Hassan Abdulla**

**Accounting officer of the Board**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON ELWAK MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2025 – COUNTY GOVERNMENT OF MANDERA**

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### **PREAMBLE**

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

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

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 Elwak Municipality set out on pages 1 to 28, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the 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 Elwak 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 Elwak Municipality Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

#### **Over Reliance on Transfers from County Government**

Section 172(a) of the Public Finance Management Act, 2012 states that subject to the Constitution and any other Act of Parliament and with the approval of the County Assembly, an urban area or city may be funded through revenue arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area or city for the purpose of defraying its costs for providing services.

During the year under review, the Municipality received Kshs.93,870,000 from the County Government of Mandera. This indicates that Elwak Municipality was financed solely through allocations from the County Government, rather than generating its own revenue as provided under Section 172(a) of the Public Finance Management Act, 2012. This section mandates municipalities to generate revenue from sources such as rates, fees, levies, charges and other revenue-raising measures.

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

### Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Municipality in 2024/2025 revealed that the following matters remained unresolved:

No.	Financial Year	Audit Issue
1.	2023/2024	Budgetary Control and Performance
2.	2023/2024	Overreliance on Funding from County Government
3.	2023/2024	Ineffective Management of Accounts Payable
4.	2023/2024	Delayed Transfer of Functions to Municipality
5.	2023/2024	Failure to Establish Audit Committee

### Other Information

The Management is responsible for the Other Information set out on page iii to xxiv which comprise of Key Entity Information and Management, Elwak 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. I have nothing to report in this regard.

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

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

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters 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. Irregular Engagement of Casual Employees**

The statement of financial performance reflects staff costs amounting to Kshs.44,511,390, as disclosed in Note 8 to the financial statements. Included in this amount are casual salaries totalling Kshs.38,240,577. However, review of the muster roll and other records on engagement of casuals revealed that Management of the Municipality engaged 312 casual employees for periods exceeding three (3) months.

This is contrary to Section 37(1)(a) and (b) of the Employment Act, 2007, which provides that where a casual employee works for a period or a number of continuous working days amounting in the aggregate to the equivalent of not less than one month, or performs work which cannot reasonably be expected to be completed within a period or a number of working days amounting in the aggregate to the equivalent of three months or more, the contract of service of the casual employee shall be deemed to be one where wages are paid monthly.

In the circumstances, Management was in the breach law.

### **2. Non-Remittance of Statutory Deductions**

#### **2.1 National Social Security Fund**

The statement of financial position reflects trade and other payables balance of Kshs.55,991,908 as disclosed in Note 16 to the financial statements. Review of account payables schedule revealed that Kshs.3,672,000 of payables balance was in respect of National Social Security Fund (NSSF) deductions from casual employees. However, the Management failed to remit these amounts in due dates. This is contrary to Section 27(1) of the NSSF Act, 2013, if any contributions for which a contributing employer is required to pay to the Fund is not paid within one month after the end of the month in which the last day of the contribution period to which it falls, a sum equal to five per cent (5%) of the amount of that contribution shall be added to the contribution for each month or part of a month that the amount due remains unpaid.

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

### **3. Social Health Insurance Fund (SHIF)**

The statement of financial position reflects trade and other payables balance of Kshs.55,991,908 as disclosed in Note 16 to the financial statements. Review of account payables schedule revealed that Kshs.911,016 of payables balance was in respect of Social Health Insurance Fund (SHIF) deductions from casual employees. However, the

Management failed to remit the amounts deducted in due time. This is contrary to Regulation 6 of the Social Health Insurance (General) Regulations, 2024, which states that the National Government and County Government shall remit the amounts payable within nine days from the date when the annual contribution of the beneficiaries is due.

In the circumstances, Management was in breach of the law

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

## REPORT ON 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 effects of the matter 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**

#### **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.

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

6 November, 2025

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	93,870,000	101,744,793
<b>Total revenue</b>		<b>93,870,000</b>	<b>101,744,793</b>
<b>Expenditure</b>			
Use of goods and services	7	62,418,581	61,630,260
Staff costs	8	44,511,390	26,468,470
Board expenses	9	652,000	3,489,600
Finance costs		-	-
Depreciation and amortization	10	6,109,187	6,157,841
Repairs and maintenance	11	11,945,500	13,999,617
<b>Total expenses</b>		<b>125,636,658</b>	<b>111,745,788</b>
<b>Surplus/(deficit) for the period</b>		<b>(31,766,658)</b>	<b>(10,000,995)</b>

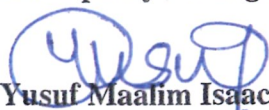
The notes set out on pages 7 to 26 form an integral part of these Financial Statements. The entity financial statements were approved on 10<sup>th</sup> July 2025 and signed by:



**Name: Abdi Hassan Abdulla.  
City/Municipality Manager.**



**Name: Kadra Hassan Adan  
Head of Finance  
ICPAK M/No.**



**Name: Yusuf Maalim Isaac.  
Chief Accountant.  
ICPAK M/No. 17437**

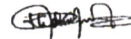
## 15. Statement of Financial Position as At 30 June 2025

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	11,865	5,337
Receivables from non-exchange transactions	13	-	26,642,413
Inventories	14		164,050
<b>Total current assets</b>		<b>11,865</b>	<b>26,811,800</b>
<b>Non-current assets</b>			
Property, plant, and equipment	15	28,218,929	34,328,116
<b>Total Non-current Assets</b>		<b>28,218,929</b>	<b>34,328,116</b>
<b>Total assets (A)</b>		<b>28,230,794</b>	<b>61,139,916</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	55,991,908	30,488,674
<b>Total current liabilities</b>		<b>55,991,908</b>	<b>30,488,674</b>
<b>Non-current liabilities</b>			
<b>Total liabilities (B)</b>		<b>55,991,908</b>	<b>30,488,674</b>
<b>Net Assets (A-B)</b>		<b>(27,761,114)</b>	<b>30,651,242</b>
<b>Represented by:</b>			
Capital/Development Grants/Fund		-	40,823,687
Accumulated surplus		(27,761,114)	(10,172,445)
<b>Net Assets/Equity</b>		<b>(27,761,114)</b>	<b>30,651,242</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10<sup>th</sup> July 2025 and signed by:

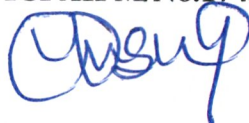


Name: Abdi Hassan Abdulla.  
City/Municipality Manager.



Name: Kadra Hassan Adan  
Head of Finance  
ICPAK M/No.

Name: Yusuf Maalim Isaac.  
Chief Accountant ICPAK M/No.17437



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

Description	Capital/ Development Grants/Fund	Accumulated surplus	Total
		Kshs.	Kshs.
<b>Bal as at 1 July 2023</b>	<b>28,927,137</b>	<b>(171,450)</b>	<b>28,755,687</b>
Surplus/(deficit) for the year	-	(10,000,995)	(10,000,995)
Funds received during the year	11,896,550	-	11,896,550
Revaluation gain/loss	-	-	-
<b>Bal as at 30 Jun 2024</b>	<b>40,823,687</b>	<b>(10,172,445)</b>	<b>30,651,242</b>
<b>Bal as at 1 July 2024</b>	<b>40,823,687</b>	<b>(10,172,445)</b>	<b>30,651,242</b>
<b>Adjust:</b> receivable not receivable from County		(26,642,413)	(26,642,413)
<b>Adjust:</b> Correction of Prior Year Surplus (Utilized capital fund/PPE)	(40,823,687)	40,823,687	-
Surplus/(deficit) for the year		(31,769,943)	(31,769,943)
Funds received during the year	-	-	-
Revaluation gain/loss	-	-	-
<b>Balance as at 30 June 2025</b>	<b>-</b>	<b>(27,761,114)</b>	<b>(27,761,114)</b>

\*Adjustment:

- Reverses the previously recognized receivable from the County Government because no enforceable right to the funds existed at the reporting date, in accordance with IPSAS 23.
- Eliminates the overstated capital fund balance because the related assets have already been capitalized, preventing double-counting in line with IPSAS 17.

1.

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

Description	Note	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	93,870,000	107,500,000
<b>Total Receipts</b>		<b>93,870,000</b>	<b>107,500,000</b>
<b>Payments</b>			
Use of goods and services	7	36,754,582	58,237,713
Staff costs	8	44,511,390	22,362,630
Board expenses	9	652,000	2,305,450
Repair and maintenance	11	11,945,500	13,711,792
<b>Total Payments</b>		<b>93,863,472</b>	<b>96,617,585</b>
<b>Net cash flows from operating activities</b>		<b>6,528</b>	<b>10,882,415</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets		-	(10,879,308)
Proceeds from sale of PPE		0	0
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>(10,879,308)</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		-	-
Proceeds from borrowings		0	0
Repayment of borrowings		(0)	(0)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>6,528</b>	<b>3,107</b>
Cash And Cash Equivalents At 1 July	19	5,337	2,230
<b>Cash And Cash Equivalents At 30 June</b>	<b>19</b>	<b>11,865</b>	<b>5,337</b>

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

**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
<b>Budget carryovers from the previous year*</b>	5,337		5,337	5,337	0	
<b>Receipts</b>						
Transfers from the County Government	93,870,000		93,870,000	93,870,000	-	100%
Public contributions and donations	-		-	-	-	0%
<b>Total Receipts</b>	<b>93,875,337</b>	-	<b>93,875,337</b>	<b>93,875,337</b>	-	<b>100%</b>
<b>Payments</b>						
Use of goods and services	55,915,800		55,915,800	55,044,781	871,019	98%
Staff Costs	25,204,200		25,204,200	44,511,390	(19,307,190)	177%
Board expenses	500,000		500,000	652,000	(152,000)	130%
Repair and maintenance	12,250,000		12,250,000	11,945,500	304,500	98%
<b>Total expenditure Payments</b>	<b>93,870,000</b>	-	<b>93,870,000</b>	<b>112,153,671</b>	<b>(18,283,671)</b>	<b>119%</b>
<b>Capital Expenditure Payments</b>	-		-	-	-	0%

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

	Description of Particulars	Amount in Kshs
	<b>Actual Surplus Amounts as per the statement of Budget</b>	<b>(18,283,671)</b>
1	Add: Inventory utilized (prior-year stock consumption – non-cash)	164,050
2	Add: Increase in Payables (expenses accrued, not paid)	18,126,149
3	Add: Cash and Cash Equivalents At 1 July	
4	Reason for differences	xx
	<b>Closing Cash and Cash Equivalent as per the statement of Cash flows</b>	<b>11,865</b>

## 19. Notes to the Financial Statements

### 1. General Information

Elwak Municipality is established by and derives its authority and accountability from Urban and Cities Act. The Municipality is under the Mandera County Government and is domiciled in Kenya.

The Municipality's principal activity is.

- a) Promotion, regulation and provision of refuse collection and solid waste management services;
- b) Construction and maintenance of storm drainage and flood controls;
- c) Construction and maintenance of recreational parks and green spaces;
- d) Construction and maintenance of street lighting;
- e) Construction, maintenance and regulation of traffic controls and parking facilities;
- f) Construction and maintenance of bus stands and taxi stands;
- g) Construction, maintenance and regulation of municipal markets and abattoirs;
- h) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
- i) Promotion, regulation and provision of animal control and welfare;
- j) Municipal administration services (including construction and maintenance of administrative offices);
- k) Climate Change management and greening of Municipality

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts, and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Municipality'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 Urban and Cities act 2012 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 1<sup>st</sup> January 2025, it is applicable in Kenya from 1<sup>st</sup> 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	<b>Applicable 1<sup>st</sup> January 2025</b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b>Applicable 1<sup>st</sup> January 2025</b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<b>Applicable 1<sup>st</sup> January 2025</b> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<b>Applicable 1<sup>st</sup> January 2025</b> The objective of this standard was to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.

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	<ul style="list-style-type: none"> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b>Applicable 1<sup>st</sup> January 2027</b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>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.</li> </ul>

**iii. Early adoption of standards**

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

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

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

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

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

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

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

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

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

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

The original budget for FY 2024/25 was approved by the County Assembly. Subsequent revisions or additional appropriations were not made to the approved budget.

The Elwak Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under the 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 Municipality's financial statements.*

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

**Financial assets**

**Classification of financial assets**

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

an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

#### **Subsequent measurement**

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

#### **Amortized cost**

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

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

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

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

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

#### **Trade and other receivables**

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

#### **Impairment**

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

#### **Financial liabilities**

##### **Classification**

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

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

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

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

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

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

**o) Foreign currency transactions**

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

**p) Borrowing costs**

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

construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**q) Related parties**

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

**r) Cash and cash equivalents**

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

**s) Comparative figures**

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

**t) Events after the reporting period**

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

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

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

**u) Currency**

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

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

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

State all judgements, estimates and assumptions made.

**Estimates and assumptions.**

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

**Useful lives and residual values**

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

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

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Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	93,870,000	101,744,793
<b>Total</b>	<b>93,870,000</b>	<b>101,744,793</b>

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	FY 2023/2024
			Kshs	Kshs	Kshs
Mandera County Treasury	93,870,000	0	-	93,870,000	113,641,343
<b>Total</b>	<b>93,870,000</b>	<b>0</b>	<b>-</b>	<b>93,870,000</b>	<b>113,641,343</b>

7. Use of Goods and Services

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	733,732	216,931
Domestic travel and subsistence	3,127,000	3,966,200
Printing, advertising, supplies & services	10,646,250	7,590,000
Training expenses		1,080,264
Hospitality supplies and services	3,411,000	2,358,620
Specialized materials and services	8,956,500	10,910,000
Office and general supplies and services	8,916,000	10,665,517
Other operating expenses (Specify)	6,657,000	9,155,000
Routine maintenance – other assets	5,337,300	480,000
Contracted Professional Services	-	2,007,000
Hire of Transport, equipment etc	14,620,689	13,189,000
Bank Charges	16,395	11,728
<b>Total</b>	<b>62,421,866</b>	<b>61,630,260</b>

NB:

**8. Staff costs**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Salaries and wages	38,240,577	24,319,560
National Social security contribution	1,228,653	1,040,160
National Health insurance fund	5,042,160	1,108,750
<b>Total</b>	<b>44,511,390</b>	<b>26,468,470</b>

**9. Board expenses**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Sitting allowances	652,000	652,000
Induction and Training	0	1,037,600
Travel and accommodation	0	0
Conference Costs	0	1,800,000
<b>Total</b>	<b>652,000</b>	<b>3,489,600</b>

**10. Depreciation and amortization**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property, plant and equipment	6,109,187	6,157,841
<b>Total depreciation and amortization</b>	<b>6,109,187</b>	<b>6,157,841</b>

**11. Repairs and Maintenance**

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Property- Buildings	4,267,500	1,200,000
Maintenance of civil works	7,678,000	12,799,617
<b>Total repairs and maintenance</b>	<b>11,945,500</b>	<b>13,999,617</b>

**12. Cash and cash equivalents**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Current account	11,865	5,337
<b>Total cash and cash equivalents</b>	<b>11,865</b>	<b>5,337</b>

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

Financial institution	Account number	FY 2024/2025	FY 2023/2024
		Kshs.	Kshs.
a) Current account			
Equity Bank		11,865	5,337
<b>Total</b>		<b>11,865</b>	<b>5,337</b>

### 13. Receivables from Non-Exchange transaction

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfer from County Executive		26,642,413
<b>Total</b>		<b>26,642,413</b>

**NB:**

Kshs. 26,642,413 was previously recognized as a receivable from the County Government based on a budget allocation without an enforceable right. The amount was budgeted but not received, and the Municipality has neither control over nor entitlement to the funds after the year-end. The receivable has therefore been derecognized in accordance with IPSAS 23 (para. 33), with the adjusting entry recorded in the Statement of Changes in Equity.

### Ageing analysis for Receivables from non-exchange transactions

Description	FY 2024/2025		FY 2023/2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year				
Between 1- 2 years				
Between 2-3 years				
Over 3 years				
<b>Total</b>				

### 14. Inventories

Description	FY 2024/2025	FY 2023/2024
	Kshs	Kshs
Stationery	0	164,050
Consumables	0	0
<b>Total inventories at the lower of cost and net realizable value</b>	<b>0</b>	<b>164,050</b>

15. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Depreciation Rate</b>		%	%	12.5%	30%	12%		
<b>As at 1 July 2023</b>	0	0	0	9,000,000	4,474,137	18,453,000	0	31,177,137
Additions	0	0	0	0	0	11,896,550	0	11,896,550
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfers/adjustments	(0)	-	0	0	(0)	(0)	0	(0)
Revaluation Adjustment	0	0	0	0	0	0	0	0
<b>As at 30<sup>th</sup> June 2024</b>	0	0	0	9,000,000	4,474,137	30,349,550	0	43,823,687
Additions for the year	0	0	0	0	0	0	0	0
Disposals for the year	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfer/adjustments	(0)	-	(0)	(0)	(0)	(0)	0	(0)
Revaluation Adjustment	0	0	0	0	0			
<b>As at 30<sup>th</sup> June 2025</b>	0	0	0	9,000,000	4,474,137	37,065,350	0	50,539,487
<b>Depreciation and impairment</b>								
<b>At 1 July 2023</b>		0	0	1,453,125	1,574,605	310,000	0	3,337,730
Depreciation		0	0	1,125,000	1,342,241	3,690,600	0	6,157,841
Impairment		-	(0)	0	-	(0)	-	(0)

16. Trade and Other Payables

Description	FY 2024/2025		FY 2023/2024	
	Kshs.		Kshs.	
Trade payables	55,991,908		30,488,674	
Other payables ( <i>Specify</i> )	0		0	
<b>Total trade and other payables</b>	<b>55,991,908</b>		<b>30,488,674</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	31,386,335	63 %	20,619,090	57%
1-2 years	<b>24,605,573</b>	37%	9,869,584	43%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
<b>Total</b>	<b>55,991,908</b>	<b>100 %</b>	<b>30,488,674</b>	<b>100 %</b>

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Depreciation Rate</b>		%	%	12.5%	30%	12%		
Transfers/ Adjustments		-	(0)	(0)	0	(0)	(0)	0
<b>As at 30 June 2024</b>		0	0	2,578,125	2,916,846	4,000,600	0	9,495,571
Depreciation for the year		0	0	1,125,000	1,342,241	3,641,946	-	6,109,187
Disposals for the year		(0)	(0)	(0)	(0)	(0)	(0)	(0)
Impairment for the year		-	(0)	(0)	(0)	(0)	(0)	(0)
Transfer/adjustment		-	(0)	(0)	(0)	(0)	(0)	0
<b>As at 30<sup>th</sup> June 2025</b>		0	0	3,703,125	4,259,087	7,642,546	-	15,604,758
<b>NBV as at 30<sup>th</sup> June 2024</b>	0	0	0	6,421,875	1,557,291	26,348,950	-	34,328,116
<b>NBV as at 30<sup>th</sup> June 2025</b>	0	0	0	5,296,875	215,050	22,707,004	-	28,218,929

**17. 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	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Transfers from related parties'	93,870,000	107,500,000
Transfers to related parties	0	0

**c) Key management remuneration**

Description	FY 2024/2025	FY 2023/2024
	Kshs.	Kshs.
Board Members – Training and Allowances	652,000	1,689,600
Key Management Compensation	0	0
<b>Total</b>	<b>652,000</b>	<b>1,689,600</b>

**d) Due from related parties**

Description	Insert Current FY	Insert Comparative FY
	Kshs.	Kshs.
Due from County Government		
<b>Total</b>		

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

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

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

### **II. Liquidity risk management**

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

### **III. Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk

Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Municipality's exposure to market risks or the manner in which it manages and measures the risk.

**IV. Foreign currency risk**

The Municipality has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**V. Interest rate risk**

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

**Management of interest rate risk**

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

**VI. Capital risk management.**

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

**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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1	Budgetary Control and Performance	The under absorption is due to delayed transfer from executive cause by late release of exchequer. However, the municipality received the remaining fund on 2nd July and did not spend the fund as shown in the statement	<i>Not Resolved</i>	Jul-26
2	Overreliance on funding from county Government	The Municipality acknowledges the overreliance on County Government transfers and is exploring alternative sources of revenue such as service charges, permits, and user fees to enhance financial sustainability. Efforts are underway to strengthen revenue mobilization and collection efficiency.	<i>Not Resolved</i>	Jul-26

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1	Ineffective management of accounts payable	Management recognizes the need to improve payables management. Measures have been initiated to reconcile supplier balances, prioritize settlement of long-outstanding obligations, and strengthen internal controls to ensure timely payments within budgetary provisions.	<b>Not Resolved</b>	Jul-26
2	Delayed transfer of functions to municipality	The delayed transfer of functions has affected the Municipality's operational and financial autonomy. The Municipality is engaging the County Executive to expedite the transfer process in line with the Urban Areas and Cities Act to enable full execution of devolved functions	<b>Not Resolved</b>	Jul-26
	Failure to establish Audit Committee	The Municipality acknowledges this gap and is in the process of engaging executive to constitute an Audit Committee in accordance with the Public Finance Management (PFM) Act and related regulations. The process is being coordinated with the County Public Service Board and County Treasury.	<b>Not Resolved</b>	Jul-26

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report.

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- 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.



**Abdi Hassan Abdul**  
**Municipality Manager**

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Appendix 2: Inter-Entity Transfers

MUNICIPALITY NAME: ELWAK MUNICIPALITY				
Breakdown of Transfers from the County Executive of Mandera County				
FY 20xx/20xx				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		26/8/2024	38,870,000	FY 2024/2025
		1/10/2024	10,000,000	FY 2024/2025
		28/11/2024	20,000,000	FY 2024/2025
		14/02/2025	10,000,000	FY 2024/2025
		13/05/2025	10,000,000	FY 2024/2025
		4/7/2025	5,000,000	FY 2024/2025
		<b>Total</b>	<b>93,870,000</b>	



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

10/10/10