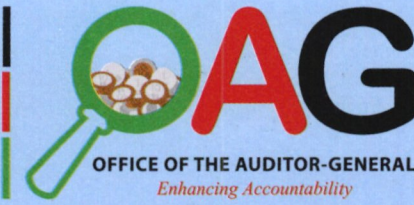


REPUBLIC OF KENYA



REPORT



OF

THE AUDITOR-GENERAL

ON

MASALANI MUNICIPALITY

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

COUNTY GOVERNMENT OF GARISSA

PAPERS LAID	
DATE	12.11.25.
TABLED BY	S.M.L
COMMITTEE	-
CLERK AT THE TABLE	<i>Richardson Angela</i>



MUNICIPALITY OF MASALANI

County Government of Garissa

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

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

(Leave this page blank)

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

1.	Acronyms and Definition of Key Terms	iii
2.	Key Entity Information and Management	iv
3.	Municipality Board.....	xi
4.	Key Management Team	xiv
5.	Municipality Board Chairperson’s Report	xv
6.	Report Of the Municipality Manager	xviii
7.	Statement of Performance Against Predetermined Objectives for the FY	xx
8.	Corporate Governance Statement.....	xxii
9.	Management Discussion and Analysis	xxii
10.	Environmental And Sustainability Reporting	xxviii
11.	Report of the Municipality Board Members	xxxii
12.	Statement of Management’s Responsibilities	xxxii
13.	Report of the Independent Auditor (Specify Entity)	xxxiv
14.	Statement of Financial Performance for The Year Ended 30 June 2025.	1
15.	Statement of Financial Position As At 30 June 2025	2
16.	Statement of Changes In Net Assets For the Year Ended 30 June 2025.....	3
17.	Statement Of Cash Flows for The Year Ended 30 June 2025	4
18.	Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025.	5
19.	Notes to the Financial Statements	7
20.	Appendices	30

1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB Public Sector Accounting Standards Board

FY Financial Year

OSHA Occupational Safety & Health Act

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information and Management

a) Background information

Municipality of Masalani is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 (amended 2019) and Cities and Municipal Charter on 14 March 2023. The Municipality is under the County Government of Garissa and is domiciled in Kenya.

Municipality of Masalani of Garissa County, Kenya, is a vibrant and bustling town known for its rich cultural heritage and historical significance. It is strategically situated as a major trading centre, linking various regions within Garissa County and neighbouring counties of Tana River and Lamu. It also plays a significant role in cross-border trade and commerce with Somalia. The town is predominantly inhabited by pastoralist's communities that rear livestock, goats, and sheep. Masalani has been historically important as the headquarters of the former Ijara District and is administratively part of the Masalani division and Ijara Constituency. It also hosts Hirola, which is a world endangered species in its Ishaqbini Community Conservancy. The municipality lies on the eastern shores of the Tana River, between Hola and Garsen. The town's elevation to municipality status has been a significant development, anticipated to bring enhanced infrastructure, agriculture, drainage, education, and other social amenities. This upgrade is expected to attract national and international recognition, investment, and increase the town's ability to raise funds, including from foreign development partners.

Following the upgrading of the Masalani town to a Municipal status after the conferment of the charter, the board and the management quickly embarked on a number of activities as indicated below.

b) Principal Activities

The main function of the municipality is drawn from section 20 of urban areas and cities act, 2011 and municipal charter. The functions were officially transferred to the municipality vide Gazette notice no 6772. These include;

1. Promotion, Regulation, and Provision of refuse collection and Solid Waste Management Services including:

- (a) Solid waste management.
- (b) Dumpsite management.

- (c) Maintain general cleanliness of the Municipality.
- (d) Enforcement of laws related to waste management.
- 2. Promotion, Regulation, and provision of Sanitation service including:
 - (a) Sanitation of provision of facilities and services for safe disposal of liquid waste.
 - (b) Wastewater management.
 - (c) Supervision of Public County toilet construction.
 - (d) Protection of water supply.
 - (e) Protection of environment (Ecological sanitation).
 - (f) Recycling, composting.
 - (g) Transportation and disposal of waste.
 - (h) Waste handling.
- 3. Construction and maintenance of Municipal Administrative Offices and Yards:
 - (a) Construction and maintenance of administrative offices; and
 - (b) Ensure compliance for contracted building services
- 4. Design, Construction and Maintenance of Urban Roads and Associated Infrastructure including:
 - (a) Construction of Urban Roads within the Municipality including:
 - (i) Mapping of road reserves;
 - (ii) Opening of roads;
 - (iii) Survey works;
 - (iv) Installation of culverts; and
 - (v) Installation gabions, cut off drains;
 - (b) Maintenance of Urban Roads within the Municipality including:
 - (i) Re-carpeting of roads; and
 - (ii) Cleaning of drains.
 - (c) Improving of Urban and Rural Roads within the Municipality:
 - (i) Upgrading the roads.
- 5. Construction and Maintenance of Storm water drains and flood control infrastructure within the municipality including:
 - (a) Design of storm water drainage structures;
 - (b) Construction of storm water drains and scour checks;
 - (c) Installation of culverts;

- (d) Opening/unblocking of the drains; and
 - (e) Installations and construction of gulley pots.
6. Construction and Maintenance of Walkways and other non-motorized Transport Infrastructure including:
- (a) Demarcation of walkways and non-motorized transport areas;
 - (b) Design and construction of pavements/walkways;
 - (c) Signage; and
 - (d) Enforce proper use of walk-ways.
7. Design, Construction and maintenance of Street Lighting and Floodlights:
- (a) Design and Installation of Street lighting including
 - (i) Identification of sites;
 - (ii) Design and preparation of BOQs;
 - (iii) Installation of streetlights;
 - (iv) Servicing and maintenance schedules;
 - (v) Contracting;
 - (vi) Construction;
 - (vii) Supervision;
 - (viii)A Completion; and
 - (ix) Commissioning.
 - (b) Maintenance of streetlights including:
 - (i) Routine checks during maintenance;
 - (ii) Management of Flood lights; and
 - (iii) Payment of bills – logistics.
8. Construction and Maintenance of Recreational Parks and Green Spaces:
- (a) Design and Construction including:
 - (i) Landscaping and beautification work within the municipality;
 - (ii) Management of Recreational Parks and green spaces; and
 - (iii) Enforcement of Laws related to green spaces and parks.
 - (b) Maintenance of recreational parks and green spaces including:
 - (i) Landscaping and beautification work within the municipality.
 - (ii) Enforcement of Laws related to green spaces and Recreational parks.

9. Promotion, Regulation, and Provision of Fire-Fighting Services including:

- (a) Construction and maintenance of fire stations
- (b) Provision of fire-fighting services
- (c) Promotion of emergency preparedness
- (d) Disaster management

10. Development and Enforcement of Municipal Plans and Development Controls including:

- (a) Development control;
- (b) Zoning and management of public land;
- (c) Collection of land rates;
- (d) Urban planning;
- (e) Survey;
- (f) Ownership;
- (g) Documentation; and road registration

11. Regulation of out-door advertising including:

- (a) Wall branding;
- (b) Sign boards;
- (c) Billboards;
- (d) Banners;
- (e) Leaflets;
- (f) Posters;
- (g) Tent pitching;
- (h) Vehicle branding;
- (i) Road shows;
- (j) Sandwich men (entertainers);
- (k) Umbrella branding;
- (l) Neon signs;
- (m) Kiosk branding etc.

12. Promotion, regulation, and provision of animal control and welfare including:

- (a) All aspects of animal well-being, including development of regulations, proper housing, management, nutrition, disease prevention and treatment, responsible care, humane handling, when necessary, humane euthanasia;

(b) Disposal of animal including removal of carcasses in public places;

MUNICIPALITY OF MASALANI VISION AND MISSION STATEMENT

VISION STATEMENT

To lead in creating a smart, resilient and cultural vibrant municipality that embraces diversity, enhances quality of life and inspires future generations.

MISSION

Our mission is to provide efficient governance, sustainable infrastructure and essential services that enhances the well-being and prosperity of every resident.

C)MUNICIPALITY BORAD

ref	position	Name
1	Chairman of board	Mr Mohamed Hajir
2	County executive committee member responsible for cities and urban areas	Mr Mohamed Hussein
3.	County chief officer responsible for urban and cities areas	Mrs Farhiya Ismail
4	Board member 1	Mrs Leila Ahmed Abdullahi
5	Board member 2	Mr Aden Ali Abdi
6	Board member 3	Mr Ismail Ahmed Duale
7	Board member 4	Mr Hussein Abdullahi
8	Board member 5	Mr Dayib Yere Bashir
9	Board member 6	Mrs Maryan Mohamud
10	Municipality manager	Mr Yussuf Mohamed Abdi

D)Key Management

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

- County Department in charge of urban Planning and Municipalities
- Board of Management
- Municipal Manager
- Management

e) Fiduciary Management

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

Ref	Position	Name
	Municipality Manager	Mr Yussuf Mohamed
	Head of department –physical planning	-
	-Land survey	Abdi Malik Hassan
	-public works	Eng.Ndinya
	-accountant	Katra Hassan
	-administration	Ahmed Sheikh Ali

fiduciary Oversight Arrangements

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

f) Registered Offices

P.O. Box 26 - 70105
Masalani Sub-County office building
Masalani Majengo Road
GARISSA, KENYA

g) Contacts

Telephone: (+254) 72464176
E-mail: masalani.municipality@gmail.com
Website: <https://garissa.go.ke>

h) Bankers

National Bank of Kenya
Garissa, Branch

i) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office




Harambee Avenue

P.O. Box 40112




City Square 00200

Nairobi, Kenya


3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1		<p>Mr. Mohamed was born in 1950. Professionally he is an administrator who served the Government of Kenya in different capacities, he was a registration officer with Civil registrar department before moving to the Administration and served as a District Officer for 20years. Mr. Mohamed has over 40 years' experience working for the government of Kenya.</p> <p>He is a member of program committee.</p>
2		<p>Leila was born in 1996. She holds a bachelor's degree in business management. She has a background in program implementation and currently works for a local organization that implements projects in Masalani.</p> <p>She is a member of program committee</p>
3		<p>Mr. Ismail was born in 1954. He is a veteran retiree from the Government of Kenya who served over 40 years in different departments. Professionally is a range land management officer. He worked with the department of veterinary, Coast development Authority before joining National drought Management Authority. He also served in different boards.</p> <p>He is chairs the program committee</p>




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

<p>4</p>		<p>Mr. Hussein was born in 1953. He is an accountant by professional who worked with the Government of Kenya for over 35years before retiring. He worked in different capacity including District Accountant, before joining Independent Electoral and Boundaries Commission as an accountant. He is a the chair of Finance and Human resource</p>
		<p>Aden was born in 1953. He is a former retired Administrator who served as a senior Chief of Masalani town before retiring. He also worked a cashier in one of the local banks. He has over 30 years' experience. He chairs the Audit and Risk management committee</p>
		<p>Dayib was born in 1994. he is a trained teacher by professional who is currently serving as a teacher in one of the local primary schools within the Sub-County of Ijara. Dayib has a Diploma in Education and vast experience in teaching. He is a member of the Audit and Risk management committee</p>

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

	 A black and white portrait of a woman wearing a white hijab, looking directly at the camera.	<p>Maryam was born in 1998. She is currently working for a local organization that deals with improving the nutritional status of under-five. She has 5 years in the field.</p> <p>She is a member of Finance and Human resource committee.</p>
--	--	---

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	Yussuf Mohamed 	Mr. Yussuf was born in 1984. He holds master's in project planning and management from Moi University. He has 20 years of experience with international organizations across Africa and Asia. Organizing programs and activities in accordance with the mission and goals of the organization. The role of Manger include but not limited to: <ul style="list-style-type: none"> • Developing new programs to support the strategic direction of the organization. • Creating and managing long-term goals. • Developing a budget and operating plan for the program. • Developing an evaluation method to assess program strengths and identify areas for improvement. • Writing program funding proposals to guarantee uninterrupted delivery of services. • Managing a team with a diverse array of talents and responsibilities.
2.	Katra Hassan Bundid 	Mrs Katra was born in 1993.Holds a Bachelor's degree in commerce and she is undertaking the Advanced level of CPA under KASNEB. She previously worked with a Bank before joining county Government of Garissa and brings over nine years of experience in accounting and financial management
3,	Ahmed Sheikh Ali 	Mr Ahmed was born 1986.he holds a diploma in Business Administration and has served as an administrator since his employment.

5. Municipality Board Chairperson's Report

I am pleased to present the financial statement for Municipality of Masalani for the fiscal year 2024–2025. This document outlines the vision, objectives, and strategies of the Municipal Board, detailing our commitment to fulfilling our obligations to the residents of Masalani Municipality and Garissa County. It reflects extensive consultations with the people of Masalani and the county government of Garissa, ensuring that it is aligned with the needs and aspirations of our community.

The financial statement is anchored on the key pillars we consider essential for effective management of the municipality, and it aligns with our strategic priorities. We extend our heartfelt gratitude to all those involved in the preparation of this document for their dedication, suggestions, and invaluable advice. In particular, we would like to thank the Governor and the County Government of Garissa for their unwavering support. We also appreciate the contributions from organized groups and individual residents of Masalani, and we are committed to maintaining this engagement as we fulfill our municipal mandate annually.

We recognize the importance of collaborating with county departments to deliver quality services to the residents of Masalani. As the municipality headquarters, we understand that our performance will have a significant impact on the entire county. Therefore, we assure the people of Masalani that we will strive for success in all our endeavors.

While the needs of our community are numerous, we also face challenges, including limited resources, a small economy, a limited skills pool, inadequate housing, insufficient hospitality services, and the absence of a sewer system. Addressing these challenges will require substantial investments that the municipality may currently lack.

The current Masalani Municipal Board is the inaugural board of the Municipality and the third urban board in Garissa County, comprising seven dedicated members.

We are committed to working closely with stakeholders and partners to bridge these resource gaps, and we are optimistic that our collective efforts will help make Masalani the most desirable place to live, work, and invest.

In the financial year 2024/2025 masalani municipal board made a number of strides in the discharge of its mandate. The board has equally conducted meetings as required by the law where several policy directions were given to the municipal manager for implementation.

- Board Meeting to discuss on the priorities and needs of the municipality. The CEO presented on a number of priority areas to the board for their input and adaptation in line with the devolved functions.
- **Integrated Development Plan (IDeP):** Initiated the development of the Municipality's Integrated Development Plan – a critical tool for resource mobilization, strategic planning, and prioritization of development initiatives.
- **Urban Cleanliness and Sanitation:** Launched comprehensive town-wide sanitation activities, including cleaning and waste management operations.

- **Drainage System Maintenance:** Successfully unblocked and rehabilitated clogged drainage systems across the Municipality to improve hygiene and prevent flooding.
- **Market Rehabilitation:** Cleared and cleaned local markets in preparation for the organized relocation of vendors. Additionally, market fencing was undertaken to enhance security and order.
- **Institutional Engagements:**
 - Held a strategic meeting with the Speaker of the County Assembly and the Chair of the Budget and Appropriations Committee to present the unique governance and development needs of Masalani Municipality.
 - Conducted several consultative forums with the diaspora community, focusing on potential twinning partnerships to foster cross-border collaboration and development support.
 - Engaged with the Kenya Urban Support Programme (KUSP), resulting in Masalani Municipality being formally included in the County Project Management Committee.
 - Facilitated continuous high-level engagement with county leadership to advocate for the Municipality's distinct status, highlighting its developmental potential and unique needs.
- Conducted a formal introductory meeting with the district security committee and board for effective and efficient partnership and networking to enhance proper management of the municipality
- General cleaning of the town and drainages within the municipality. The management partnered with the community of Masalani and dedicated a day for the general cleaning of the town. Following the heavy rains many drainage systems has blocked and damage and therefore, the management did cleaning of the town.
- Conducted staff meeting for introductory and planning
- Procured equipment's for the sanitation team to enhance cleaning within the town
- Follow up of the KUSP program by the management to understand the needs and requirements of the program and prepare accordingly
- Stakeholder mapping and analysis to enhance partnership and networking
- Proposal development- the management was able to develop two proposals submitted to the donors for funding and support.

Funding Received

The Municipality budgeted Kshs.6, 000,000 for the financial year 2024-2025. As at June 2024 the Municipality received Kshs.4,500,000 from the County Executive.

Challenges

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

1. An executive order should be written by the Governor asking the CECM's to release the functions in the charters and the staff related to it to the municipalities created as well as the resources.
2. Staff establishment. The Municipalities must have the following critical staff in place:

- 2.1 Registered Engineer,
- 2.2 Registered planner,
- 2.3 Internal Auditor,
- 2.4 Substantive CEO
- 2.5 Accountant
- 2.6 Social safeguards officer
- 2.7 Environmental safeguards officer
- 2.8 Human Resource Officer

3 The Governor should write to the World Bank through the CoG a resolve to participate in the KUSP2 showing a commitment to conform to the requirements of the program by the County.

4 The municipality should draft an integrated development plan and be approved by the cabinet and the assembly

5. Means of transport to enhance ease movements and operation of the municipality.

6. Slow flow of budgetary allocations and funds from the treasury hindering the running and service delivery of the Municipality.

7. Support to develop strategic plan for the municipal and other policy papers eg spatial plan



.....
Name: Mohamed Hajir Sheikh

Chairperson of the Board

Municipality of Masalani

6. Report Of the Municipality Manager

Municipality of Masalani serves as the official headquarters of Masalani Town, centrally located for easy accessibility from all areas of Garissa County. The population of Masalani has experienced significant growth, with a considerable portion being under the age of 35. This population growth is anticipated to continue due to the municipality's status and the increasing integration of northern Kenya with the rest of the country, with Masalani acting as a key gateway.

The Strategic Plan is a crucial tool for the municipality staff, clarifying the board's strategic intentions, defining the guiding principles for our operations, and outlining our priorities. It serves as a reminder of our primary objective: to serve the residents of Masalani. This plan enables our staff to engage effectively with colleagues, partners, and other stakeholders regarding the kind of community and municipality we aspire to create, how we can enhance collaboration, and the areas in which we need improvement.

Additionally, the Strategic Plan outlines expected outcomes, lists our strategies, reaffirms our commitment to stakeholders, and clarifies our priorities. The residents of Masalani have articulated high expectations, and it is against these expectations that our performance will be assessed. We extend our gratitude to the board and the county government for the guidance provided by this plan.

We are committed to working closely with the county government to develop budget alignment strategies and accountability mechanisms that ensure adequate resources and follow-through with this plan. Furthermore, we will endeavor to report continuously on our progress to stakeholders, as mandated by law, through a rigorous and transparent engagement process. Each year, we will review and update the strategies and initiatives identified in the plan.

- **Integrated Development Plan (IDeP):** Initiated the development of the Municipality's Integrated Development Plan – a critical tool for resource mobilization, strategic planning, and prioritization of development initiatives.
- **Urban Cleanliness and Sanitation:** Launched comprehensive town-wide sanitation activities, including cleaning and waste management operations.
- **Drainage System Maintenance:** Successfully unblocked and rehabilitated clogged drainage systems across the Municipality to improve hygiene and prevent flooding.
- **Market Rehabilitation:** Cleared and cleaned local markets in preparation for the organized relocation of vendors. Additionally, market fencing was undertaken to enhance security and order.
- **Institutional Engagements:**
 - Held a strategic meeting with the Speaker of the County Assembly and the Chair of the Budget and Appropriations Committee to present the unique governance and development needs of Masalani Municipality.
 - Conducted several consultative forums with the diaspora community, focusing on potential twinning partnerships to foster cross-border collaboration and development support.
 - Engaged with the Kenya Urban Support Programme (KUSP), resulting in Masalani Municipality being formally included in the County Project Management Committee.

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

- Facilitated continuous high-level engagement with county leadership to advocate for the Municipality's distinct status, highlighting its developmental potential and unique needs.



29/9/2025

.....
**Name: YUSSUF MOHAMED
MANGER
MUNICIPALITY OF MASALANI**

7. Statement of Performance Against Predetermined Objectives for the FY

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

The key development objectives of the Municipality of Masalani for FY 2024/2025 plan are to:

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

Below we provide the progress on attaining the stated objectives:

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

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

8. Corporate Governance Statement

Process of Appointment and Removal of Board Members for a Municipality

Composition of the Board

The Board of a municipality shall consist of nine (9) members, appointed by the County Governor with the approval of the County Assembly. The composition is structured as follows:

1. The County Executive Member responsible for Lands, Housing, and Urban Development areas or their representative.
2. Three (3) members appointed by the County Governor, with the approval of the County Assembly.
3. Four (4) members nominated by relevant associations and appointed by the County Governor, subject to County Assembly approval:
 - An umbrella body representing professional associations within the area.
 - An association representing the private sector in the area.
 - A cluster representing registered associations of the informal sector in the area.
 - A cluster representing registered neighborhood associations in the area.
4. The Chief Officer responsible for urban development.
5. The Municipal Manager, appointed under Section 28, who serves as the Secretary and ex officio member of the Board.

Eligibility for Appointment

To be eligible for appointment as a member of the Municipal Board, candidates must meet the following qualifications:

- Hold at least a diploma from a recognized institution in Kenya.
- Have a distinguished career in a medium-level management position in the private or public sector.
- Possess a minimum of five years of post-qualification professional experience.
- Meet the requirements of Chapter Six of the Kenyan Constitution, which deals with leadership and integrity.
- Be an ordinary resident or have a permanent dwelling within the municipality.
- Conduct business or have resided in the municipality for at least five years.

Additionally, during appointments, the County Governor must ensure gender equity and representation of persons with disabilities, youth, and marginalized groups.

Term of Office

The members of the Municipal Board shall serve on a part-time basis for a Three-year term.

Removal of Members of the Municipal Board

A member of the Municipal Board may cease to hold office under specific circumstances outlined in the regulations governing municipalities. These conditions are as follows:

- a. **Incapacity:** If a member is unable to perform their duties due to mental or physical incapacity.

- b. **Bankruptcy:** If a member is declared or becomes bankrupt or insolvent.
- c. **Criminal Conviction:** If a member is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more.
- d. **Resignation:** If the member submits a written resignation to the County Governor.
- e. **Absenteeism:** If, without reasonable cause, the member is absent from three consecutive Board or committee meetings within a single financial year.
- f. **Professional Misconduct:** If the member is found guilty of professional misconduct by their relevant professional body.
- g. **Constitutional Disqualification:** If the member is disqualified from holding public office under the Kenyan Constitution.
- h. **Conflict of Interest:** If the member fails to declare an interest in any matter being considered by the Board or its committees.
- i. **Gross Misconduct:** If the member engages in gross misconduct.
- j. **Death:** If the member passes away.

Removal Procedures A member of the Municipal Board may be removed from office through the following methods:

- 1. **County Governor:** The County Governor may initiate the removal of a member.
- 2. **Board Resolution:** A resolution passed by at least two-thirds of the Municipal Board members can remove a member from office.
- 3. **Resident Petition:** The residents of the municipality may submit a petition for the removal of a Board member.

Procedure for Removal

The procedure for the removal or petition for removal of a Board member is to be provided by regulations under the Urban Areas and Cities Act.

Filling Vacancies

Any vacancy arising due to the removal of a Board member shall be filled according to the appointment procedure outlined in Section 3.3, ensuring the required qualifications and procedures are followed.

Functions of the Municipal Board of the Municipality

The Board of The Municipality shall perform the following functions:

- a) oversee the affairs of the Municipality;
- b) develop or adopt policies, plans, strategies and programmes and set targets for service delivery;
- c) formulate and implement an integrated development plan;
- d) control land, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centers, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and freight and transit stations. Within the framework of the spatial and master plans for the Municipality as delegated by the County Government of Garissa;

- e) promoting and undertaking infrastructural development and services within the Municipality as delegated by the County Government of Garissa;
- f) developing and managing schemes, including site development in collaboration with the relevant national and county agencies;
- g) maintaining a comprehensive database and information system of the administration;
- h) administering and regulating its internal affairs;
- i) implementing applicable national and county legislation;
- j) entering into contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions;
- k) monitoring and, where appropriate, regulating Municipal services where those services are provided by service providers other than the Board of the Municipality;
- l) preparing and submitting its annual budget estimates to the relevant County Treasury, by relevant county government department for consideration and submission to the county assembly for approval as part of the annual County Appropriation Bill;
- m) collecting rates, taxes levies, duties, fees and surcharges on fees as delegated by the County Government of Garissa
- n) settling and implementing tariff, rates and tax and debt collection policies as delegated by the County Government of Garissa
- o) monitoring the impact and effectiveness of any services, policies, programs or plans;
- p) establishing, implementing and monitoring performance management systems;
- q) promoting a safe and healthy environment;
- r) facilitating and regulating public transport

Committees of the Board of the Municipality

The Board of the Municipality may:

- a) establish such committees for any general or special purpose which, in its opinion, would regulate or manage its affairs more efficiently and as may be necessary for the performance of its functions under the urban areas and cities act;
- b) delegate to such committee such functions as are necessary for the efficient performance of its duties in respect to the whole or any part of the area under the jurisdiction of the Board of the Municipality; and
- c) Include persons who are not members of the Municipal Board in any committee.

The committees of the Board of the Municipality to which members of the Municipality delegate any of their powers and functions must follow procedures which are based as far as they are applicable on those provision of this Charter which govern the taking of decisions of performance of functions by the Municipal Board of the Municipality.

Remuneration of the Members of the Board of the Municipality

The Board of the Municipality shall not be entitled to a salary. However, members of the Municipal Board of the Municipality shall be paid such allowances as the County Executive committee shall,

with the approval of the County Assembly, and on the advice of the Salaries and Remuneration Commission, determine.

Meetings of the Municipal Board

The Municipal Board of the Municipality is required to hold meetings to transact its business according to the following provisions:

1. **Regular Meetings:**

The Board shall convene once every three months for regular meetings to conduct its business.

2. **Special Meetings:**

In addition to the regular meetings, the Chairperson of the Board may call a special meeting at any time. A special meeting must also be convened if at least one-third of the members of the Board submit a written request for an urgent matter to be addressed.

3. **Public Accessibility:**

All regular meetings of the Board, which are held to transact public business, must be open to the public when a majority of the Board members are present. This ensures transparency in the Board's decision-making process.

4. **Executive Sessions:**

The Board is allowed to hold private executive sessions where the public is excluded. However, during these sessions, the Board is not permitted to finally adopt any by-laws, resolutions, rules, or regulations. Such decisions must be made during open, public meetings to ensure accountability and public participation.

9. Management Discussion and Analysis

The Municipality of Masalani has continued to grow over the time and the management has put measures in place to safeguard risks. The management has ensured that we comply with statutory requirements relating to the functions of the Municipality. By the end of this financial year, Dadaab municipality had received Kshs. 4,500,000 million as transfer from Garissa County treasury. In order to ensure improved transparency, accountability and fiscal responsibility in the public sector, the Municipality of Masalani is committed to prudent management of finances guided by sound financial policies and guidelines that ensure efficient utilization of resources. The Municipality of Masalani is also dedicated to deliver on the promises made in her budget. This will help bolster the key objective of devolution which is to promote sustainable and equitable social, political and economic development in the Municipality of Masalani.

Board Meeting to discuss on the priorities and needs of the municipality. The CEO presented on a number of priority areas to the board for their input and adaption in line with the devolved functions.

- Conducted a formal introductory meeting with the district security committee and board for effective and efficient partnership and networking to enhance proper management of the municipality
- Assessment of Masalani Municipal market and identification of the gaps and needs of the market. The management led by the CEO conducted a visit to the market to identify the needs so the vendors can be relocated
- During the nationwide three planting exercise municipality of Masalani participated in the exercise and planted 100 trees in the office as part of adapting to climate change effects and beautification of the town.
- General cleaning of the town and drainages within the municipality. The management partnered with the community of Masalani and dedicated a day for the general cleaning of the town. Following the heavy rains many drainage systems has blocked and damage and therefore, the management did cleaning of the town.
- Conducted staff meeting for introductory and planning
- Procured equipment's for the sanitation team to enhance cleaning within the town
- Identification of the needs of the office and procured 2laptops for the office and other equipment's
- Follow up of the KUSP program by the management to understand the needs and requirements of the program and prepare accordingly
- Stakeholder mapping and analysis to enhance partnership and networking
- Proposal development- the management was able to develop two proposals submitted to the donors for funding and support.

Established a management Committee for Slaughterhouse: A management committee was established to identify gaps and formulate a work plan for the efficient operation of the slaughterhouse, leading to advancements in community health and sanitation

Compliance with statutory requirements

The Municipality complied with the following listed requirements but not limited to:

- Public Finance Management Act 2012
- Public procurement disposal Act 2015.

Conclusion

We appreciate the unrelenting support from the board of trustees, management, staff, the county government, development partners and all the key stakeholders. We look forward to continuing partnership and cooperation in areas of mutual interest in the FY 2024/2025.

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

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

2. Environmental performance

As part of Municipality of Masalani's contribution to the nation's national development agenda and our intent towards improving the wellbeing of our communities, in the financial year 2024/2025 the Municipality rolled out the Forests Management and Extension Programme which is a campaign with a target to plant and sustain of trees all over Masalani. This activity has progressed well with trees planted and being sustained within the Municipality of Masalani. Our efforts aim to increase Kenya's forest cover to the desirable standards and protect the environment for present and future generations.

3. Employee welfare

Our success as a Municipality is largely dependent on our human capital (people).

- We seek to recruit, retain, reward and develop the best talent in the Country.
- We recognise 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.
- We actively seek to ensure gender parity and where possible recruit persons with disability and from the minority groups of our society.

4. Market place practices

The pricing is guided by the Cities and urban act 2019 and the by-laws of the Municipality in consultation with the citizens through the citizens fora that are usually conducted twice a year.

a) Responsible competition practice.

Municipality of Masalani is a corruption free organization with a reputable corruption free environment

b) Responsible Supply chain and supplier relations

Municipality of Masalani recognizes that responsible Supply Chain Management has 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 behaviour that we envisage builds trust and enhances our overall reputation, which in turn attracts investors, employees, suppliers and distributors, not to mention earning the public's goodwill. The Municipality's procurement department has developed stringent rules intended to drive business firms to proactively improve their responsible supply chain performance

c) Responsible marketing and advertisement or Responsible engagement with the citizens

The Municipality maintains ethical information dissemination practices by ensuring its outreach and sensitization practices are ethical and responsible through giving adequate information, and respecting diversity.

d) Product stewardship or Awareness creation

Municipality of Masalani has made significant strides in managing biodiversity, which is essential for maintaining healthy ecosystems and providing critical services to its residents.

Key successes include:

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

5. Corporate Social Responsibility/Community Engagements

As a responsible corporate citizen and as a way of reaching out to the less fortunate members of our society, the Municipality undertakes a number of initiatives aimed at improving the living standards of vulnerable members such as the needy, people living with disabilities, widows and the unskilled youth. These are undertaken through donations of basic amenities like food stuffs and beddings, gifts to Orphanage centres, specialized equipment to PLWDs and Iftar donations in the month of Ramadhan. These donations/support are meant to alleviate suffering for vulnerable groups during hard times.

11. Report of the Municipality Board Members

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

Principal activities

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

Performance

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

Board Members

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

Auditors

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

By Order of the Board


..... 29/9/2025

Name: Yussuf Mohamed Abdi
Secretary of the Board
Municipality of Masalani

12. Statement of Management's Responsibilities

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

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

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

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

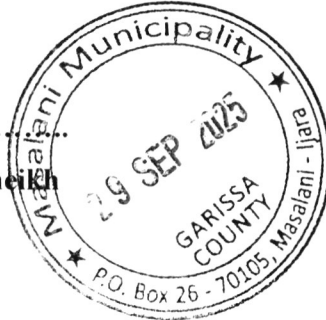
Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board on 25th August, 2025 and signed on its behalf by:



.....
Name: Mohamed Hajir Sheikh
Chairperson of the Board



.....
Name: Yussuf Mohamed Abdi
Accounting officer of the Board

REPUBLIC OF KENYA

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



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

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

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, 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 are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Masalani as set out on pages 1 to 33 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Municipality of Masalani 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 Qualified Opinion

Unsupported Prior Year Adjustments on Capital Fund Balance

The statement of changes in net assets reflects net asset balance of Kshs.2,665,598. Included in the balance is a prior year adjustment of Kshs.1,890,000 in respect of capital fund related to development grant (property plant and equipment) donated in the previous year. However, Management did not provide details of the development grant or a schedule of the property, plant and equipment.

In the circumstances, the accuracy and completeness of total net assets balance of Kshs.2,665,598 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Municipality of Masalani 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 qualified opinion.

Emphasis of Matter

Budget Performance and Control

The statement of comparison of budget and actual amounts reflects revenue budget and actual revenue on comparable basis of Kshs.6,000,000 and Kshs.4,500,000 respectively, resulting to under-funding of Kshs.1,500,000 or 25% of the budget. Similarly, the Municipality incurred expenditure of Kshs.4,202,801 against a budget of Kshs.4,500,000 of available funds, resulting in under absorption of Kshs.297,199.

Underfunding and under absorption may have adversely affected service delivery to Masalani residents.

My report 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Over Reliance on Transfers from County Government

The statement of financial performance and Note 6 to the financial statements reflects receipts of Kshs.4,500,000 from the County Government of Garissa as the only revenue realized during the year. This indicates that Masalani 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.

In the circumstances the sustainability of service delivery may not be guaranteed due to over reliance on allocations from the County Government.

2. Delayed Transfer of Functions to the Municipality

Review of the operations of the Municipality revealed that many of the functions stipulated under the Municipal Charter, were carried out by the County Executive of Garissa. These include construction and maintenance of urban roads and associated infrastructure, construction, maintenance and regulation of municipal markets and abattoirs, promotion, regulation and provision of municipal sports and enforcement of municipal plans and development control, construction and maintenance of rehabilitation centres and control of drugs and substance abuse, management of public transport, promoting and undertaking infrastructural development and services within the Municipality, developing a framework for spatial and master plans for the municipality, construction and management of community centers, funeral parlors, cemeteries, libraries, and religious institutions.

In the circumstances, the service delivery by the Municipality to the residents may have been adversely affected.

3. Unresolved Prior year Matters

The Management did not provide a report on how it has addressed the recommendations and findings of the previous year's audit as required by Section 31(1)(a) of the Public Audit Act, 2015. The following prior year audit issues remained unresolved as at 30 June, 2025 as detailed below:

- i. Budgetary Control and Performance
- ii. Over Reliance on Funding from County Government
- iii. Conferment of Municipal Status
- iv. Non-compliance With Board of Management Constitution Procedures
- v. Lack of Transfer of Functions to the Municipality by the County Executive
- vi. Non-compliance with Budget Formulation Laws
- vii. Lack of Risk Management Policy.

In the circumstances, the Management was in breach of Section 31(a) of the Public Audit Act, 2015, which requires the entity to submit a report on how it has addressed the recommendations and findings of the previous year's audit.

Other Information

The Management is responsible for the Other Information set out on page iv to xxxiv which comprise of Key Entity Information and Management, the Municipality Board, Management Team, Municipality Board Chairpersons 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, Statement of Managements 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 USE OF PUBLIC RESOURCES.

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing 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

The audit was conducted in accordance with ISSAI 3000 and ASSAI 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, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Establish internal Audit function

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

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

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

The 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

30 October, 2025

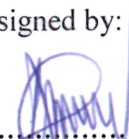
14. Statement of Financial Performance for The Year Ended 30 June 2025.

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	4,500,000	10,000,000
Public contributions and donations		0	550
Total revenue		4,500,000	10,000,000
Expenditure			
Use of goods and services	7	3,278,385	2,934,725
Staff costs	8	310,000	929,000
Board expenses	9	468,000	256,000
Depreciation and amortization	10	401,600	0
Repairs and Maintenance	11	147,242	
Total expenses		4,605,227	4,119,725
Other gains/losses			
Surplus/(deficit) for the period		(105,227)	5,880,825

The notes set out on pages ~~07~~ to ~~26~~ form an integral part of these Financial Statements. The entity financial statements were approved on 25th august,2025 and signed by:



.....
Name: Yussuf Mohamed
Municipality Manager



.....
Name: Abdirahman Ahmed Ali
Head of Finance
ICPAK M/No:33894

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

15. Statement of Financial Position As At 30 June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	12	297,199	825
Receivables from non-exchange transactions	13	0	5,000,000
Total current assets		297,199	5,000,825
Non-current assets			
Property, plant, and equipment	14	2,368,340	880,000
Total Non-current Assets		2,368,340	880,000
Total assets (A)		2,665,539	5,880,825
Liabilities			
Current liabilities			
Total current liabilities		0	0
Non-current liabilities			
Total liabilities (B)		0	0
Net Assets (A-B)		2,665,539	5,880,825
Represented by:			
Accumulated surplus		775,598	5,880,825
Capital Fund		1,890,000	0
Net Assets/Equity		2,665,598	5,880,825

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 25th August, 2025 and signed by:

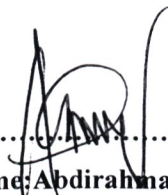

.....

Name: Yussuf Mohamed Abdi

Municipality Manager

Date: 29/09/2025




.....

Name: Abdirahman Ahmed Ali

Head of Finance

ICPAK M/No: 33894

Date: 29/09/2025

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

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

Description	Capital/ Development Grants/Fund	Revaluatio n Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2023	0	0	0	0
Surplus/(deficit) for the year		0	5,880,825	5,880,825
Bal as at 30 Jun 2024	0	0	5,880,825	5,880,825
Bal as at 1 July 2024	0	0	5,880,825	5,880,825
Surplus/(deficit) for the year		-	(105,227)	(105,227)
prior year adjustment	1,890,000		(5,000,000)	(3,110,000)
Balance as at 30 June 2025	1,890,000	0	775,598	2,665,598

* Receivable amounting to Kshs.5,000,000 recognized during the previous year includes receivables from County Government, which the Municipality does not expect to receive in the current year. Therefore, the amount had to be adjusted to reflect true state of affairs of the Municipality.

* The Kshs.1,890,000 includes prior year balances in respect to Property, Plant and Equipment which were not disclosed in the prior year. Adjustment was performed to reflect the true state of affairs of the Municipality.

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

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

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		4,500,000	10,000,000
Public contributions and donations			550
Total Receipts		4,500,000	10,000,550
Payments			
Use of goods and services		3,278,385	2,934,725
Staff costs		310,000	929,000
Board expenses		468,000	256,000
Repairs and Maintenance		147,242	
Total Payments		4,203,627	4,119,725.0
Net cash flows from operating activities		296,373	588,082.5
Cash flows from investing activities			
Purchase of PPE & intangible assets		0	880,000
Net cash flows used in investing activities		0	880,000
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash & cash equivalents		296,374	825
Cash And Cash Equivalents At 1 July		825	0
Cash And Cash Equivalents At 30 June		297,199	825

*County Government of Garissa
Municipality of Masalani
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
Budget carryovers from the previous year*	-	0	0		0	0
Receipts						
Transfers from the County Government	6,000,000	0	6,000,000	4,500,000	1,500,000	75%
Total Receipts	6,000,000	0	6,000,000	4,500,000	1,500,000	75%
Payments						
Use of goods and services	4,000,000	0	4,720,000	3,278,385	1,098,414	77%
Board expenses	800,000	0	800,000	310,000	720,000	10%
Staff Costs	480,000	0	480,000	468,000	12,000	98%
Repairs and Maintenance	720,000		720,000	147,242	572,758	20%
Total expenditure Payments	6,000,000	0	6,000,000	4,202,801	1,830,414	69%
Capital Expenditure Payments	0	0	0	0	0	
Surplus for the period	0	0	0	297,199	330,414	

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

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	297,199
	Closing Cash and Cash Equivalent as per the statement of Cash flows	297,199

19. Notes to the Financial Statements

1. General Information

Municipality of Masalani is established by and derives its authority and accountability from Urban Areas and Cities Act, 2011 Act. The Municipality is under the Garissa County Government and is domiciled in Kenya.

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

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

- 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.*

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

Standard	Effective date and impact:
IPSAS 43: Leases	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45: Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>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.</p>
IPSAS 46: Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases</p>

	called the current operational value.
IPSAS 47: Revenue	Applicable 1st January 2026 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.
IPSAS 48: Transfer Expenses	Applicable 1st January 2026 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.
IPSAS 49: Retirement Benefit Plans	Applicable 1st January 2026 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.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

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 Municipality and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that 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 2024/2025 was approved by the County Assembly 4th Nov 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

The Municipality's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

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

statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under section 18 of these financial statements.

c) Property, plant and equipment

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

Assets are depreciated as follows:

Classification	Rate
Motor Vehicle	12.5%
Computers	33 1/3%
Office Furniture	12.5%
Other Assets	5%
Buildings	2%

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 Municipality.

h) Provisions

Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Municipality expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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 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 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 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

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.

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	4,500,000	5,000,000
Total	4,500,000	5,000,000

7. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Domestic travel and subsistence	1,013,300	1,396,500
Printing, advertising, supplies & services	433,484	20,000
Conference expenses	30,000	0
Hospitality supplies and services	212,898	89,500
Office and general supplies and services	19,800	1,238,309
Fuel, oil and lubricants	135,827	110,185
Other operating expenses	34,100	18,000
Routine maintenance – vehicles and other equipment	116,750	54,915
Hire of Transport, equipment etc	1,278,900	0
Bank Charges	3326	7,316
Total	3,278,385	2,934,725

8. Staff costs

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Salaries and wages	310,000	929,000
Total	310,000	929,000

9. Board expenses

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Sitting allowances	468,000	256,000
Total	468,000	256,000

10. Depreciation and amortization

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant and equipment	401,600	0
Total depreciation and amortization	401,600	0

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

11. Repairs and Maintenance

Description	2024-2025	2023-2024
	KShs	KShs
Property- Buildings	98,650	0
Furniture and fittings	48,592	0
Total repairs and maintenance	147,242	0

12. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Current account	297,199	825
Total cash and cash equivalents	297,199	825

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

Financial institution	Account number	2024/2025	2023/2024
		Kshs.	Kshs.
a) Current account			
National bank		297,199	825
Sub- total		297,199	825
Grand total		297,199	825

13. Receivables from Non-Exchange Transactions

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Current account	0	5,000,000
Total cash and cash equivalents	0	5,000,000

14. Property, Plant and Equipment

Description	Land	Buildi ng	Motor vehicles	Furniture and fittings	Comput ers	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		2%	12.5%	12.5%	33.33%	
As at 1 July 2023	0	0	0	0	0	0
Additions	0	0	0	880,000	0	880,000
As at 30th June 2024	0	0	0	880,000	0	880,000
Prior Year Adjustment	0	0	1,800,000	880,000	200,000	2,880,000
Additions for the year	0	0	0	0	0	0
As at 30th June 2025	0	0	1,800,000	880,000	200,000	2,880,000
Depreciation and impairment	0	0				
At 1 July 2024		0	0	0	0	0
Prior adjustment		0	0	110,000	0	110,000
Depreciation		0	225,000	110,000	66,660	401,600
As at 30 June 2025		0	225,000	220,000	66,660	511,600
NBV as at 30th Jun 2024			0	660,000	0	660,000
NBV as at 30th Jun 2025	0	0	1,575,000	660,000	133,340	2,368,340

15. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from related parties'	4,500,000	10,000,000
Transfers to related parties	4,500,000	10,000,000

c) Key management remuneration

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Board Members	468,000	256,000
Total	468,000	256,000

16. Financial risk management

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The 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 carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

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

II. Liquidity risk management

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

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

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.

Foreign currency sensitivity analysis

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

V. Interest rate risk

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

Management of interest rate risk

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

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.

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

20. Appendices

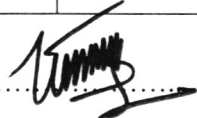
Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1	Budget and Budgetary	The Management has engaged Garissa County Government to ensure all budgeted funds are released on time.	Not Resolved	April 2026
2	Over reliance on Funding from County Government	The Municipality had engaged the County Executive on transfers of function on revenue generation through various official communications.	Not Resolved	April 2026
3	Conferment of Municipality Status	The Municipality has adequate waste disposal facilities. The Municipality had engaged the County Executive on transfers of function on revenue generation through various official	Not Resolved	April 2026

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		communications.		
4	Noncompliance with Board of Management Constitution Procedures	All the required documentation in respect to formation of the board have been retrieved and ready for verification	Not Resolved	April 2026
5	Lack of Transfer of Functions to Municipality by the County Executive	The Municipality had engaged the County Executive on transfers of function on revenue generation through various official communications.	Not Resolved	April 2026
6	Lack of Risk Management Policy	The management has developed a Risk Management Policy	Not Resolved	April 2026




To be Signed by the Accounting officer of the Entity

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

Appendix 2: Inter-Entity Transfers

MUNICIPALITY NAME:			
Breakdown of Transfers from the County Executive of Garissa County			
FY 2024/2025	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
a. Recurrent Grants	25/10/2024	1,500,000	2024-2025
	29/01/2025	1,500,000	2024-2025
	16/05/2025	1,500,000	2024-2025
	Total	4,500,000	

.....

 Signed by the Head of Accounts of the Entity and the transferring Entities
 29/09/2025

Appendix 3: Reporting of Climate Relevant Expenditures

No climate change expenditures

Appendix 4: Disaster Expenditure Reporting Template

No disaster expenditures incurred