

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

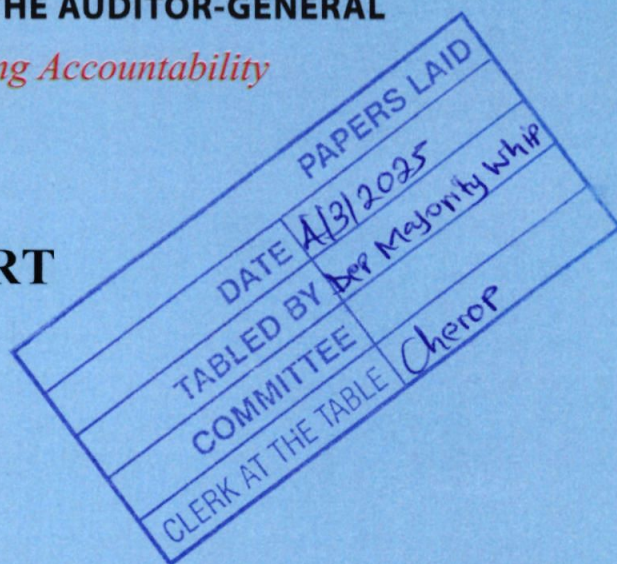
THE AUDITOR-GENERAL

ON

WAJIR MUNICIPALITY

**FOR THE YEAR ENDED
30 JUNE, 2020**

COUNTY GOVERNMENT OF WAJIR

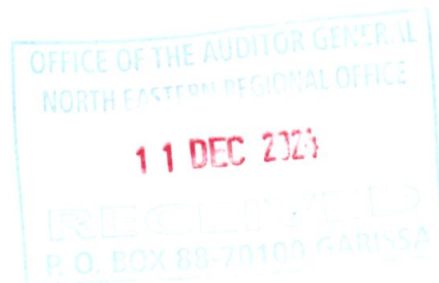




WAJIR MUNICIPALITY
County Government of Wajir

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2020

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



1. Acronyms and Definition of Key Terms.....	ii
2. Key Entity Information and Management	iii
3. Municipality Board	viii
4. Key Management Team.....	xii
5. Municipality Board Chairperson's Report.....	xiv
7. Statement of Performance Against Predetermined Objectives for the FY 19-20.....	xvii
8. Corporate Governance Statement.....	xviii
The Board Chairperson.....	xix
9. Management Discussion and Analysis.....	xxi
10. Environmental And Sustainability Reporting	xxiii
11. Report of the Municipality Board Members	xxv
12. Statement of Management's Responsibilities	xxvii
13. Report of the Independent Auditor (Office of the Auditor General)	xxix
14. Statement of Financial Performance for The Year Ended 30 June 2020.....	1
15. Statement of Financial Position As At 30 June 2020.....	2
16. Statement of Changes in Net Assets For the Year Ended 30 June 2020.....	3
17. Statement Of Cash Flows for The Year Ended 30 June 2020.....	4
18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2020	
19. Notes to the Financial Statements	6
20. Appendices.....	26

1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
KUSP	Kenya Urban Support Program
KSH	Kenya Shillings
IPSAS	International Public Sector Accounting Standards
PFMA	Public Finance Management Act
FIDUCIARY MANAGEMENT	Key Management personnel who have financial responsibility in the entity

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

Wajir Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 (amended 2019) and Cities and Municipal Charter on 5th JULY 2018. The Municipality is under the County Government of Wajir and is domiciled in Kenya.

Wajir Municipality comprises of the three Urban wards:-

- a) Township ward
- b) Barwaqo ward
- c) Wagberi ward

It has a land mass of 659km square comprising of 18 administrative locations. According to 2019 household and population census the total population was 112,811 persons.

There are nine Municipality Board Members appointed/ Nominated and gazetted that oversee the running of the municipality, the CEO/Manager is in charge of operation of 331 staff in five directorates as outlined by organogram. An established municipality administration and offices in places. The municipality falls under the department of lands, Spatial planning and Urban development headed by County Executive Committee Member (CECM).

The main objective of Kenya Urban Support Program (KUSP) is to contribute to ending extreme poverty and promoting shared prosperity by delivering improved urban infrastructure on an inclusive basis and in ways that enhance economic growth and development in participating counties.

b) Principal Activities

The principal activity/mission/ mandate of the City/ Municipality is to ...

vision

Safe and comfortable urban dwelling with social and economic amenities as well as green space

Mission

To provide quality services for all neighborhoods and make Wajir municipality the best managed municipality in the country.

CORE OBJECTIVE

- a) Promotion, regulation and provision of refuse collection and solid waste management services;

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

c) Key Management

The Municipality management is under the following key organs:

I. Municipality Board

Ref	Position	Name
1.	Chairperson of the Board	LUL SANEY MOHAMED
2.	County Executive Committee Member, Lands, Housing and Physical Planning	SAADIA AHMED ABDI
3.	County Chief Officer Physical Planning and Urban Development	ABDULLAHI ISSACK
4.	Vice Board Chairperson	ABDULLAHI ABDI HERSI
5.	Board Member 1	DIIS OSMAN MOHAMED
6.	Board Member 2	ETHEY ABDILLE MUHUMED
7.	Board Member 4	NOOR AHMED ALI
8.	Board Member 5	ABDULLAHI ABDI HERSI
9.	Municipality Manager	OMAR HUSSEIN IBRAHIM

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

- County Department in charge of Municipalities
- Board of Management
- Accounting Officer/Municipality Manager
- Management

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	municipality manager	OMAR IBRAHIM HUSSEIN
2	program coordinator	ABDULLAHI HASSAN ADAN
3	chief officer spacial planning and rban development	ABDULLAHI ISSACK
4	accountant municipality	ABDIKADIR MOHAMED
5	deputy manager	ADAN MOHAMED FARAH
6	county executive committee member, lands, housing and physical planning	SAADIA AHMED ABDI

e) Fiduciary Oversight Arrangements

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

During the year under review, the County's management and operations were supported by a number of institutions which were established within the county to provide oversight role and ensure prudent management. These key fiduciary oversight bodies at the County for the year ended 30th June 2020 were;

County Government of Wajir

Wajir Municipality

Annual Report and Financial Statements for the year ended June 30, 2020

S/N	Position	Name
1.	Directorate Internal Audit	Abdi G Omar
2.	Municipal Board Chairman	Lul Saney Mohamed
3.	County Assembly of Wajir.	Shalle Sheikh Mursal
4.	Public Investments Committee	Abdi Mohamed Abdi
5.	Budget and Appropriations Committee	Nimo Ahmed Saney

External Institutions

1. Office of the Controller of Budget.
2. Public Sector Accounting Standards Board.
3. Commission on Revenue Allocation.
4. The National Treasury.
5. Office of the Auditor General.

f) Registered Offices

Department of Municipality

County Government of Wajir
P.O. Box 9-7200
County Headquarters.
Wajir,
KENYA

g) Contacts

Web: wajir.go.ke
E-mail: info@wajir.go.ke
Twitter [@WajirCountyKE](https://twitter.com/WajirCountyKE)
Website: www.Wajir.go.ke

2) Bankers

Kenya Commercial Bank, Wajir.
Mandera Road
P.O. Box 201-70200
Tel: +254-46421536/0711087000
Email: Contactcentre@kcb.co.ke
Wajir, Kenya

3) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O.Box 30084

GPO 00100

Nairobi, Kenya

4) Principal Legal Adviser

The Attorney General

State Law Office


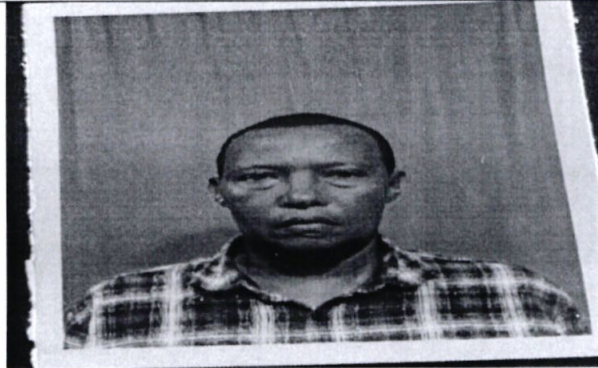

Harambee Avenue



P.O. Box 40112

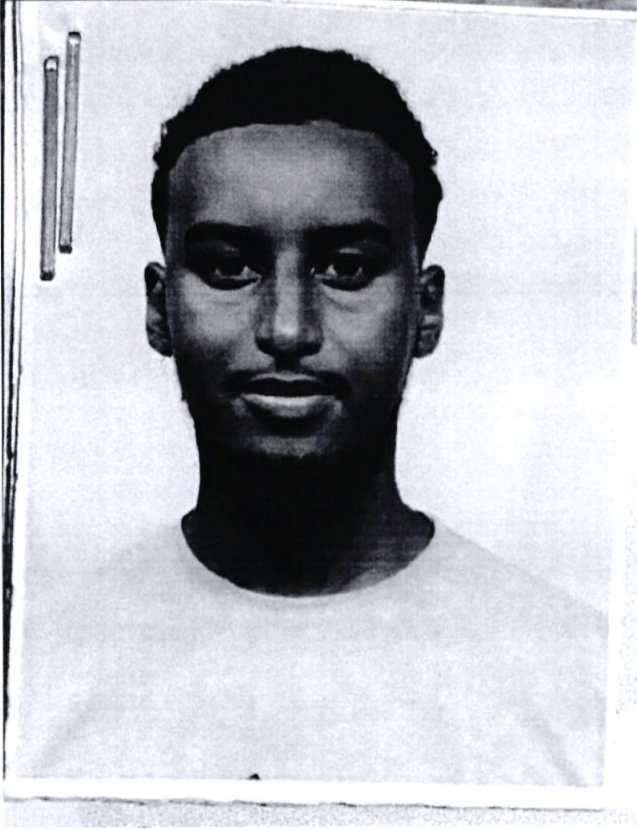

City Square 00200



Nairobi, Kenya

3. Municipality Board






Serial No.	Name	Details of qualifications and experience
1		<p>Mrs Iulsaney Mohamed is 50 yrs old, she studied Diploma In Forensic Science and Criminal Investigation from Kenya Institute of Criminal Justice and Bachelor of Arts in Criminology from Karatina University. She has experience working at Ministry of Interior and National Coordination as clerical officer and also as Nominated MCA at Wajir County Assembly.</p>
2		<p>Mr Diis Osman Mohamed was born the 1970 (54 yrs old), He is a teacher by profession, he did his teaching at Igoji Teachers College. He has a teaching experience of over 20 yrs.</p>
3		<p>Mrs Ethey Abdille Muhumed is 40 yrs. She studied Community Development and Social Work, She has work experience working with IEBC.</p>

4	 A black and white portrait of an elderly man with a balding head, smiling slightly. He is wearing a patterned, short-sleeved shirt.	<p>Mr Noor Ahmed Ali is 66 years old, He has certificate of Islamic Education from AL Fatah Islamic Institution Wajir and Diploma from Bilal Islamic Institution of Kampala. He has experience working as a teacher at Al Fatah Islamic Institution.</p>
5	 A black and white portrait of a man with a goatee and glasses, wearing a white kufi cap and a dark pinstriped suit jacket over a white shirt. He is looking directly at the camera.	<p>Mr Abdullahi Abdi Hersi is 62 years of age, Mr Hersi has a diploma in Human Resource from Institute of Health Care Administration from Chennai India and Bachelor of Arts in Development Studies. He has experience as a teacher/development worker and business man. He is a National Director of Kenya National Chamber of Commerce and Industry (KNCCI).</p>

6	 A black and white portrait of a young man with short, dark hair, looking directly at the camera. He is wearing a light-colored, possibly white, t-shirt. The background is a plain, light-colored wall.	<p>Mr Mohamed Hassan Omar is 25 years, He has Bachelor of procurement and supply chain management from Zetech University and Higher diploma in construction(building and civil engineering option) from The North Eastern National Polytechnic. He has experience working Assistant engineer at Kajaja construction Company and also as data enumerator for WFP.</p>
7	 A black and white photograph of a woman wearing a dark hijab, sitting at a desk. She is looking towards the camera with a slight smile. On the desk in front of her are some papers, a pen, and a water bottle.	<p>Saadia Ahmed Abdi is the current CECM Lands Management, Housing and Urban Development, worked with governmental and non-governmental organization, She has masters in public policy and administration from Nairobi University and she has over 10 yrs experience.</p>

8	 A black and white portrait of a man with a beard, wearing a white dress shirt and a dark tie, sitting at a desk with his arms crossed.	<p>Mr Abdullahi Issack is a chief officer for Lands, Special Planning and Urban Development with a bachelor of commerce (BCOM) finance option from Strathmore University. He has a 10 years experience both from being Member of County Assembly, working a big Company and now as Chief officer.</p>
9	 A black and white portrait of a man wearing a dark suit jacket, a white shirt, and a patterned tie.	<p>Mr Omar Hussein Ibrahim is a manager for the municipality and has a degree in bachelor of arts from Egerton University. he has a 10 years experience in both governmental and non-governmental organization</p>

4. Key Management Team

S/No	Name	Details of qualifications and experience
1.		Mr Omar Hussein Ibrahim is a manager for the municipality and has a degree in bachelor of arts from Egerton University. He has a 10 years experience in both governmental and non-governmental organization
2.		Mr Adan Mohamed Farah is a deputy manager municipality, He has a 20 years experience in civil service as a donor coordinator department in special programme. He held a master degree in peace and conflict management
3.		Mr Abdullahi Issack is a chief officer for Lands, Special Planning and Urban Development with a bachelor of commerce(BCOM)finance option from Strathmore University. He has a 10yrs experience both from being Member of County Assembly, working a big Company and now as Chief officer.
4.		CPA. Abdikadir Mohamed is the head of Finance. He is a Certified Public Accountant and a member of ICPAK, He holds master in Finance from Kenyatta University. He has 9 years of working experience in Accounting and Financial sector.
5		Saadia Ahmed Abdi is the current CECM Lands Management, Housing and Urban Development, worked with governmental and non-governmental organization, She has masters in public policy and

		administration from Nairobi University, with over 10 yrs experience.
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5. Municipality Board Chairperson’s Report

Wajir Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipal Charter on 5th JULY 2018. The Municipality is under the County Government of Wajir and is domiciled in Kenya.

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

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

There is a principal and agency relationship between the Board of the Municipality and the Wajir County Government. The Board of the Municipality consist of eight members appointed by the Governor with the approval of the County Assembly. The Board of Directors consists of the Chairperson, County Executive Committee member for Lands, physical planning, Housing, Urban Development, the Chief Officer Lands ,Spatial planning and Urban development and five other Members.

The Municipal Manager is an ex officio member and secretary to the Board.

.....

Name:

Chairperson of the Board

6. Report of the Municipality Manager

I hereby take this opportunity to forward the annual financial statement for the year 2019/2020.

This being the first financial statement to be prepared since the inception of Wajir Municipality, there were some unique challenges in preparing the same.

Budget performance

The municipality has utilized an overall budget utilization of 100% of the allocated and financial year 2019/2020.

Value for money achievement

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

Achievements

In the last financial years of operation Wajir Municipality achieved the following

- Tarmac of municipality roads
- Increased Collection and disposal of solid waste.
- Rehabilitation of town town drainage system
- Construction of dumpsite
- Construction of Soko- mjinga access road
- Construction of Non- motorized transport from Airport to Basabra

However Wajir Municipality was faced by the following Challenges in the reporting period;

- Budgetary constraints
- Some key functions of the Municipality have not been transferred i.e. revenue collection.
- Inadequate enforcement officers
- Lack of staff and equipment for the department of fire.

The Municipal board anticipates to overcome the above challenges in the forthcoming financial periods by employing the following strategies;

County Government of Wajir
Wajir Municipality

Annual Report and Financial Statements for the year ended June 30, 2020

- The board will engage the county government to increase the donation and also exploit the potential donors to overcome budget constraints.
- The board will formally engage the Governor to transfer the functions that were not transferred.
- The board will engage the public service board to employ the staff to overcome the gap in human resources.



.....
Name:
Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY 19-20

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

- a) Provide quality physical infrastructure.
- b) Urban planning.
- c) Urban governance and administration
- d) Efficient management of municipality affairs

- e) Provide for the efficient and accountable management of the affairs of the Municipality.
- f) Provide for a governance mechanism that will enable the inhabitants of the municipality to:
- g) Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations
- h) Vigorously pursue the development opportunities which are available in the Municipality and to institute such measures so as to enhance the quality of life of the inhabitants.
- i) Provide a high standard of social services in a cost effective manner to the inhabitants of the Municipality,
- j) Fostering economic, social and environmental wellbeing of the inhabitants.
- k) Provide for services and bylaws for the benefit of the Municipality.

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Sanitation programme	Reduce idle solid wastes in town	To create a clean and safe environment for the citizens	Number of cleaning sessions	Cleaning was conducted every day throughout the reporting period
Street lighting programme	To increase access to solar power lighting	To prevent crimes and improve illumination	solar panels maintained	Wajir town was powered and the lighting maintained from vandalism

8. Corporate Governance Statement

Corporate Governance

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

Code of Conduct and Ethics

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

Board Composition

Each Municipal board member has a detailed letter of appointment setting out the terms and conditions of service including their fiduciary duties. The board of the municipality shall be composed of nine (9) members.

Four (4) members of the board of the municipality shall be appointed through a competitive process by the County Executive Committee and approved by the County Assembly.

Five(5) members of the board shall be nominated by the following umbrella bodies

- a) An umbrella body representing professional association in the areas;
- b) An association representing the private sectors in the areas
- c) A cluster representing registered association of the informal sectors in the areas;
- d) A cluster representing registered neighbourhood association in the areas; and
- e) As association of the municipality

And appointed by the County Executive Committee with the approval of the County Assembly

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

The terms of the members of the Board of the Municipality shall be five(5) years on a part-time basis.

The Board Chairperson

The Chairman provides leadership and governance to the Board and creates conditions for overall Board effectiveness, by ensuring that all key and appropriate issues are discussed by the Board in a timely manner. He ensures that the Board plays a full and constructive part in the development and determination of the Municipality's plans. He also ensures that the Board is supplied with timely and sufficient information to enable it discharge its duties effectively. In furtherance of the above, the Chairman ensures adherence to good corporate governance practices and procedures, and continuously promotes the highest standards of integrity and corporate governance throughout the Entity and particularly at Board level.

Orientation of Municipal board

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

Responsibilities of the Board

The committee always act in the best interest of the Entity in a manner based on the principles of transparency, integrity, efficiency, effectiveness and accountability so as to achieve prosperity for the Entity and its stakeholders. The Board takes its responsibilities seriously and clearly understands its role, powers, duties and functions. The Board develops and annually approves its Work Plan. The Work plan also enables the Board to plan its activities to advance and to ensure that its Board meetings are planned and executed in an effective manner. The Board's Work Plan is approved before the commencement of the financial year to which it relates. The agenda for Board meetings is derived from the Board Work plan.

Information to the Board

All the committee members receive regular reports and information, which enables them to review the Wajir Municipality's performance. These reports and information are circulated in a timely manner to facilitate preparation for meetings. The committee are entitled to suggest additional topics for discussion at board meetings.

Board's Remuneration

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

Meeting Attendance

The Board meets at least once in every quarter depending on the exigencies of the business. The Board holds a special meeting to deliberate on items that could not be discharged during a normal Board meeting. During the period under review, the Municipal board members committed to regularly attend and to be effectively participating in Board meetings through robust debate. This was made possible by early planning.

Statement of Social Responsibility

Wajir Municipality recognizes the importance of being socially responsible by upholding values, principles and aspirations that meet the expectations of the stakeholders that we interact with during the course its dealings.

a. Guiding Principles

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

b. Environment

Wajir Municipality takes conscious measures to minimize any adverse effects on the environment by advocating for proper disposals of used disposable facemasks, sanitizer bottles, boxes and other wastes. The board is putting in place a sound succession plan, service charter and other matters of management.

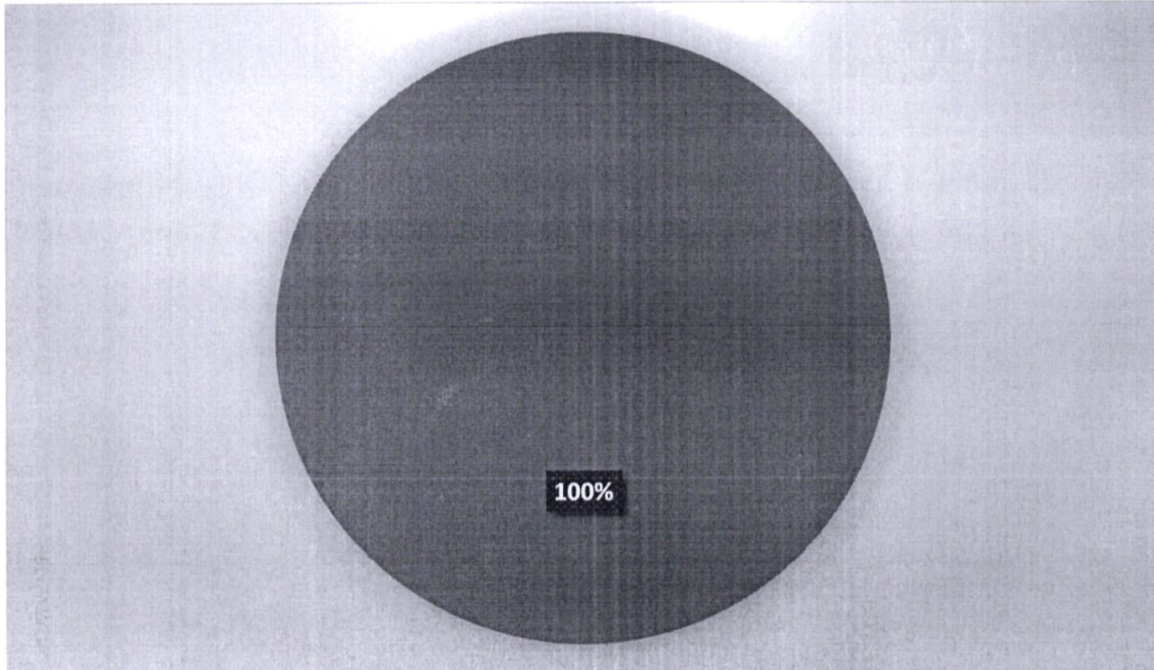
c. Conflict of Interest

The Trustees are under a fiduciary duty to act honestly and in the best interest of the Wajir Municipality. Accordingly, Trustees ought to refrain from discussing or voting on a matter of real, perceived or potential conflict of interest.

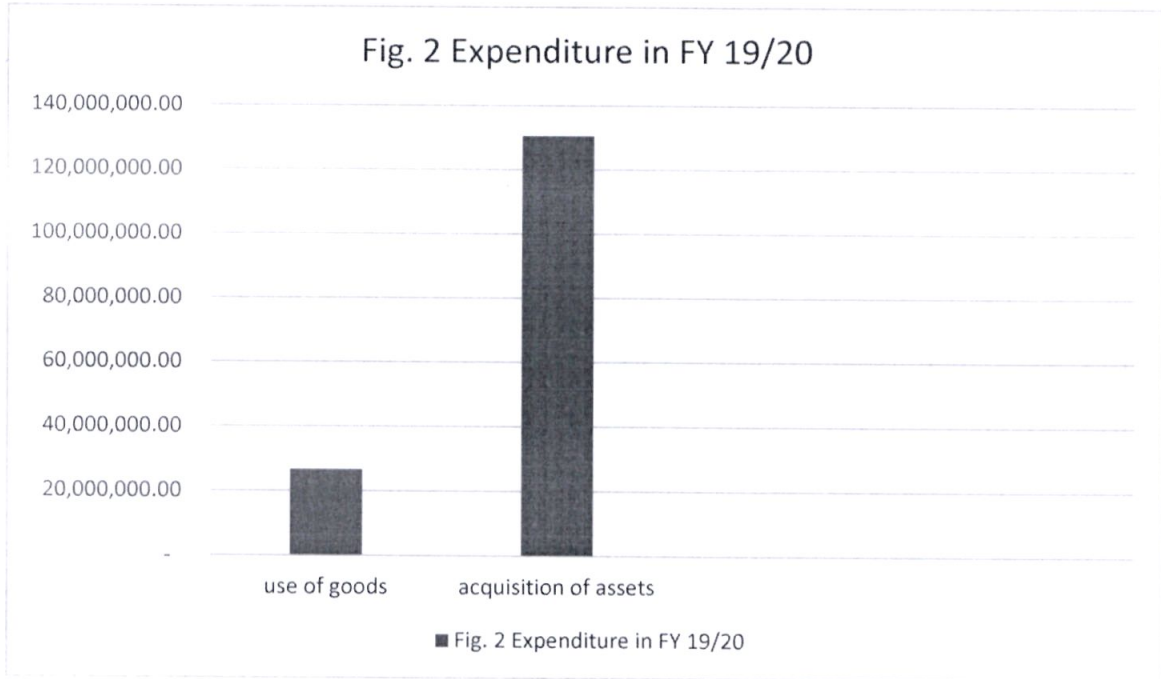
9. Management Discussion and Analysis

a) Operational and financial performance of the Municipality

Wajir Municipality has been in existence since 2018 and has been performing its functions as per the Municipal Charter. During the financial year 2019/2020,. The County Treasury disbursed funds to operation account. This represent 100% of the amount budgeted.



As indicated in the figure above, Wajir Municipality 100% allocation of money. Wajir Municipality utilized its allocation as planned.



As highlighted in the figure, the Municipality’s expenditure comprised use of goods and services as well as acquisition of assets.

10. Environmental And Sustainability Reporting

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

1. Sustainability strategy and profile

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

2. Environmental performance

As part of Wajir Municipality's contribution to Wajir County's development agenda and our intent towards improving the wellbeing of our communities, in the financial year, Wajir Municipality rolled out plastic processing plant whereby all plastic within the town will be collected and later processed blocks for building of the house, also planning tree planting and greening programmes in Wajir town.

3. Employee welfare

Wajir Municipality's success is largely dependent on our human capital (people). Therefore, at Wajir Municipality, we seek to recruit, retain, reward and develop the best talent in the Country. We also 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 especially for vulnerable mothers who water trees and engage in town cleaning programmes.

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible Supply chain and supplier relations- Wajir Municipality 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 behavior 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.

b) Responsible ethical practices-

Wajir Municipality is a corruption free organization with a reputable corruption free environment.

5. Community Engagements

Wajir municipality recognizes the importance of community engagement in its undertakings. The Municipality engages different stakeholders through quarterly citizen forums and public participation during the budget formulation. The municipality also do private sector engagement forums.

The municipality engages youth and women in celebration of world environmental days and also takes part in the celebration of women day and youth week.

11. Report of the Municipality Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Wajir Municipality affairs.

Principal activities

The principal activities of the Wajir Municipality are:

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

Performance

The performance of the Wajir Municipality for the year ended June 30, 2020 are set out on page 1 to 5.

Board Members

The members of the Board who served during the year are shown on page viii- xi.

Auditors

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

County Government of Wajir
Wajir Municipality
Annual Report and Financial Statements for the year ended June 30, 2020

By Order of the Board



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Name:
Secretary of the Board

12. Statement of Management's Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Wajir 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 Wajir Municipality manager is responsible for the preparation and presentation of the Wajir Municipality's financial statements, which give a true and fair view of the state of affairs of the Wajir Municipality for and as at the end of the financial year ended on June 30, 2020. 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 Wajir 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 Wajir Municipality,
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Wajir 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 Wajir Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Wajir Municipality's transactions during the financial year ended June 30, 2020, and the financial position as at that date.

County Government of Wajir
Wajir Municipality
Annual Report and Financial Statements for the year ended June 30, 2020

The Wajir 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 Wajir Municipality Manager to indicate that the Wajir 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 Municipality financial statements were approved by the Board on 30th June 2020 and signed on its behalf by:

.....


Name:

Chairperson of the Board

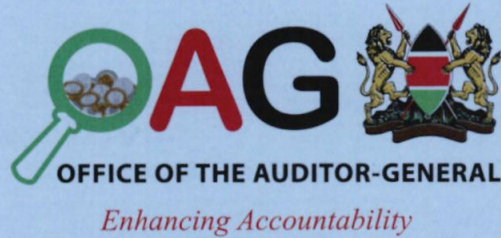
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Name:

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 WAJIR MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2020 – COUNTY GOVERNMENT OF WAJIR

PREAMBLE

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

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

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 Wajir Municipality set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2020

Report of the Auditor-General on Wajir Municipality for the year ended 30 June, 2024 – County Government of Wajir

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 Wajir Municipality as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011, the County Government Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Use of Incorrect Financial Reporting Template

The financial statements for the year ended 30 June, 2020 were prepared using the approved Annual Financial Reporting Template for the financial year ended 30 June, 2024 instead of the approved template for the financial ended 30 June, 2020. This was contrary to Section 81(3) of the Public Finance Management Act 2012 which provides that the accounting officer shall prepare the financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, the financial statements were not compliant with the Annual Financial Reporting Template.

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, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Other Information

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

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

In connection with my audit on the Municipality's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources sections of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements for the financial year ended 30 June, 2020 were submitted to the Auditor-General on 30 June, 2024 which was four (4) years after the statutory timeline of 30 September, 2020. Management did not provide a satisfactory explanation for the failure to prepare financial statements within the stipulated timeframe. This was contrary to Section 149(2)(K) of the Public Finance Management Act, 2012 which provides that in carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned not later than three (3) months after the end of each financial year, prepare annual financial statements for that financial year and submit them to the Auditor-General for audit, with a copy to the County Treasury.

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

2. Lack of Approved Budget

The Management did not provide evidence that estimates of income and expenditure were prepared and approved. This was contrary to the provision of Section 149(2) (h-i) of the Public Finance Management, 2012 which provides that an accounting officer shall, in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity and submit the estimates of an entity, which is not a County Corporation to the County Executive Committee member for finance. In

addition, the statement of comparison of budget and actual amounts contains actual amounts for both approved revenue and expenditure budget.

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

3. Failure to Execute Functions Provided in the Municipal Charter

Paragraph 2.3.1 of the Wajir Municipal Charter, outlines the functions to be carried out by the Municipality. These include construction and maintenance of urban roads and associated infrastructure, construction and maintenance of storm drainage and flood controls, construction and maintenance of street lighting, construction, maintenance and regulation of municipal markets and abattoirs and promotion, regulation and provision of municipal sports and cultural activities among others. However, these functions were executed by the County Executive of Wajir.

In the circumstances, execution of functions assigned to the Municipality by the County Executive may result in duplication of effort leading to inefficient use of public resources.

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

Basis for Conclusion

1. Lack of Approved Staff Establishment and Organizational Structure

Review of the human resource systems revealed that the Municipality did not have an approved staff establishment and organizational structure. The staff establishment and organizational structure provided was not accompanied by evidence of approval.

In the circumstances, it was not possible to confirm the effectiveness of the operations of the Municipality and whether the Municipality operated within optimal staff levels.

2. Failure to Establish Internal Audit Unit

During the year under review the Municipality did not have internal audit unit in place. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a County Government entity shall ensure that it 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 effectiveness of internal controls in the Municipality could not be confirmed.

3. Failure to Establish of Internal Audit Committee

The Municipality did not have an internal audit committee as required. This is contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each county government entity shall establish an audit committee.

In the circumstances, the effectiveness of governance structures at the Municipality could not be confirmed.

4. Lack of Risk Management Policy

The Municipality did not have a documented risk management policy and fraud prevention mechanisms. In addition, the Municipality did not carry out risk assessment during the year. This was contrary to Regulation 158(1)(b) of the Public Finance Management Regulation, 2015 which provides that the Accounting Officer shall ensure that the County Government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, the effectiveness of risk management systems at the Municipality could not be confirmed.

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

Responsibilities of the Management and Board of the Municipality

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also 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

19 December, 2024

*Wajir Municipality
County Government of Wajir
Annual Report and Financial Statements for the year ended June 30, 2020*

14. Statement of Financial Performance for The Year Ended 30 June 2020.

Description	Note	FY 19/2020
		Kshs.
Revenue from non-exchange transactions		
Transfers from the County Government	6	40,121,000
		40,121,000
Total revenue		40,121,000
Expenditure		
Use of goods and services	7	26,756,878
Total expenses		26,756,878
Surplus/(deficit) for the period		13,364,122

The notes set out on pages form an integral part of these Financial Statements. The entity financial statements were approved on 30th June 2020 and signed by:



.....
Name: Omar Ibrahim Hussein
Municipality Manager

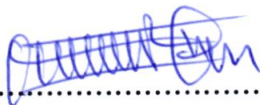


.....
Name: Abdikadir Mohamed
Head of Finance
ICPAK M/No: 28529

15. Statement of Financial Position As At 30 June 2020

Description	Note	FY 2019/2020
		Kshs.
Assets		
Current assets		
Cash and cash equivalents	8	48,105,786
Total current assets		48,105,786
Non-current assets		
Property, plant, and equipment	9	130,607,220
Total Non-current Assets		130,607,220
Total assets (A)		178,713,006
Liabilities		
Current liabilities		
Total current liabilities		-
Non-current liabilities		
Total liabilities (B)		-
Net Assets (A-B)		178,713,006
Represented by:		
Capital/Development Grants/Fund		165,348,884
Reserves		-
Accumulated surplus		13,364,122
Net Assets/Equity		178,713,006

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 30th June 2020 and signed by:



Name: Omar Ibrahim Hussein

City/Municipality Manager

Date: 30/6/2020



Name: Abdikadir Mohamed Noor

Head of Finance

ICPAK M/No 28529

Date: 30/6/2020

16. Statement of Changes in Net Assets For the Year Ended 30 June 2020

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 st July 2019 (previous year)	-	-	-	-
Surplus/(deficit) for the year	-	-	13,364,122	13,364,122
Funds received during the year	165,348,884	-	-	165,348,884
Revaluation gain/loss	-	-	-	-
Bal as at 30 Jun 2020	165,348,884	-	13,364,122	178,713,006

17. Statement Of Cash Flows for The Year Ended 30 June 2020

Description	Note	FY 2019-2020
		Kshs.
Cash flows from operating activities		
Receipts		
Transfers from the County Government	6	40,121,000
Total Receipts		40,121,000
Payments		
Use of goods and services	7	26,756,878
Finance costs		-
Total Payments		(26,756,878)
Net cash flows from operating activities		13,364,122
Cash flows from investing activities		
Purchase of PPE & intangible assets	9	(130,607,220)
Proceeds from sale of PPE		-
Net cash flows used in investing activities		(130,607,220)
Cash flows from financing activities		
Net increase/(decrease) in cash & cash equivalents		(117,243,098)
Cash And Cash Equivalents At 1 July	8	165,348,884
Cash And Cash Equivalents At 30 June		48,105,786

*Wajir Municipality
County Government of Wajir
Annual Report and Financial Statements for the year ended June 30, 2020*

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2020

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
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	40,121,000	-	40,121,000	40,121,000	-	100%
Total Revenue	40,121,000	-	40,121,000	40,121,000	-	100%
Expenses						
Use of goods and services	26,756,878	-	26,756,878	26,756,878	-	100%
Total Expenditure	26,756,878	-	26,756,878	26,756,878	-	100%
Surplus for the period	13,364,122	-	13,364,122	13,364,122	-	100%
Capital Expenditure	13,364,122	-	13,364,122	13,364,122	-	100%

19. Notes to the Financial Statements

1. General Information

Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 Act. The Municipality is under the Wajir County Government and is domiciled in Kenya.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

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

There are no new standards effective in the financial year ended 30th June 2024.

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

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i>

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

County Government of Wajir
Wajir Municipality
Annual Report and Financial Statements for the year ended June 30, 2020

iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2019/20 was approved by the County Assembly on xxx (Date). Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the City/Municipality upon receiving the respective approvals in order to conclude the final budget.

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 Wajir
Wajir Municipality
Annual Report and Financial Statements for the year ended June 30, 2020

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

c) Property, plant and equipment

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

d) Intangible assets

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

e) Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the City/Municipality.

g) Provisions

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

h) Social Benefits

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

i) Contingent liabilities

The City/Municipality does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

j) Contingent assets

The City/Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City/Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured

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

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

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

m) Employee benefits– Retirement benefit plans

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

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

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

p) Related parties

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

q) Cash and cash equivalents

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

r) Comparative figures

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

s) Events after the reporting period

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

Two types of events can be identified:

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

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

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

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	FY 19-20
	Kshs.
Transfers from County Govt. – Recurrent	40,121,000
Total	40,121,000

7. Use of Goods and Services

Description	FY 19-20
	Kshs.
Printing, advertising, supplies & services	22,376,614
Training expenses	1,129,000
Hospitality supplies and services	884,483
Contracted Professional Services	2,359,221
Bank Charges	7,560
Total	26,756,878

8. Cash and cash equivalents

Description	FY 19-20
	Kshs.
Current account	48,105,786
Total cash and cash equivalents	48,105,786

8(a) Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	FY 19-20
		Kshs.
a) Current account		-
Kenya Commercial bank-Urban Institutional Grant	1235826341	13,135,626
Kenya commercial bank-urban development grant	1234590379	34,970,160
Grand total		48,105,786

County Government of Wajir
Wajir Municipality
Annual Report and Financial Statements for the year ended June 30, 2020

9. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (Roads)	Mettalic Waste bin	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2019 (previous year)	-	-	-	-	-	-	-	-
Additions	-	6,233,910	18,984,483	-	-	97,742,768	7,646,059	130,607,22
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
As at 30 th June 2020	-	6,233,910	18,984,483	-	-	97,742,768	7,646,059	130,607,22
Depreciation and impairment								
At 1 July 2019 (previous year)	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-
As at 30 June 2020	-	-	-	-	-	-	-	-
NBV as at 30th Jun 2019 (previous year)	-	-	-	-	-	-	-	-
NBV as at 30th Jun 20XX (current year)	-	6,233,910	18,984,483	-	-	97,742,768	7,646,059	130,607,22

6. Related party balances

a) Nature of related party relationships

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

- a) The County Government.
- b) The Parent County Government Ministry;-land,urban development
- c) County Assembly.
- d) Key management.
- e) Municipality Board

b) Related party transactions

Description	FY 19-20
	Kshs.
Transfers from related parties'	40,121,000

7. Financial risk management

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

I. Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the 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 City/Municipality has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The City/Municipality has significant concentration of credit risk on amounts due from xxx.

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

II. Liquidity risk management

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

The table below represents cash flows payable by the City/Municipality under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Market risk

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the City/Municipality's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The City/Municipality's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the City/Municipality's exposure to market risks or the manner in which it manages and measures the risk.

III. Foreign currency risk

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

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.

IV. 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.

V. Capital risk management.

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

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

This is the first time Municipality is being Audited


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Appendix 2: Inter-Entity Transfers

MUNICIPALITY NAME:				
Breakdown of Transfers from the County Executive of wajirCounty				
FY 2019/2020				
a	Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
	URBAN INSTITUTIONAL GRANT	30/6/2020	40,121,000	FY 2019/2020
		Total	40,121,000	
b	Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
	URBAN DEVELOPMENT GRANT	30/6/2020	-	FY 2019/2020
			-	
			-	
		Total	40,121,000	
c	Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	


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Appendix 3: Reporting of Climate Relevant Expenditures

We didn't have climate relevant expenditure for that year.

Appendix 4: Disaster Expenditure Reporting Template

We didn't have expenditure reporting template for that year.