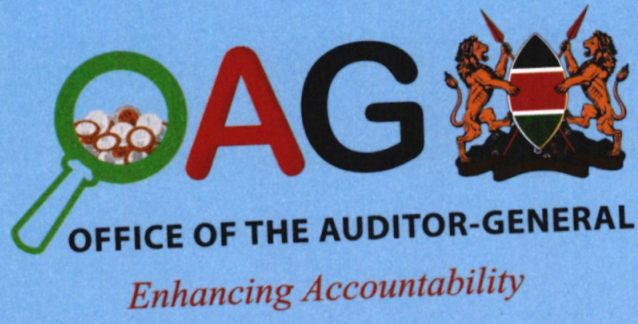


REPUBLIC OF KENYA



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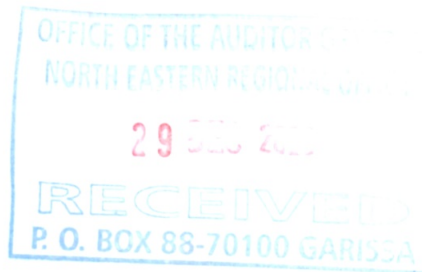
ON

## ELWAK MUNICIPALITY

FOR THE YEAR ENDED  
 30 JUNE, 2023

## COUNTY GOVERNMENT OF MANDERA





Revised 30<sup>th</sup> June 2023



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# ELWAK MUNICIPALITY

*County Government of Mandera*

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30<sup>TH</sup> JUNE 2023

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



*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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**Contents**

1.	ACRONYMS & GLOSSARY OF TERMS .....	II
2.	KEY ENTITY INFORMATION AND MANAGEMENT .....	III
3.	ELWAK MUNICIPALITY BOARD .....	VI
4.	KEY MANAGEMENT TEAM.....	X
5.	ELWAK MUNICIPALITY BOARD CHAIRPERSON’S REPORT.....	XIII
6.	REPORT OF THE ELWAK MUNICIPALITY MANAGER .....	XV
7.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2022/2023 .....	XVII
8.	CORPORATE GOVERNANCE STATEMENT .....	XIX
9.	MANAGEMENT DISCUSSION AND ANALYSIS .....	XXII
B)	ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	XXIV
C)	REPORT OF THE ELWAK MUNICIPALITY BOARD MEMBERS .....	XXVI
D)	STATEMENT OF MANAGEMENT’S RESPONSIBILITIES .....	XXVIII
E)	REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENT OF ELWAK MUNICIPALITY ...	XXX
F)	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023.....	1
G)	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 .....	2
H)	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023.....	3
I)	STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023 .....	4
J)	STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023 .....	5
K)	NOTES TO THE FINANCIAL STATEMENTS .....	6
L)	APPENDICES.....	33

**1. Acronyms & Glossary of Terms**

PSASB	Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
FY	Financial Year
PFMA	Public Finance Management Act
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.

## **2. Key Entity Information and Management**

### **a) Background information**

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

### **b) Principal Activities**

The principal activity/mission/ mandate of the Municipality is

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

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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**c) Key Management**

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

**I. Municipality Board**

Ref	Position	Name
1.	Chairman of the Board	Mr. Said Ibrahim Hassan
2.	County Executive Committee Member, Lands, Housing and Physical Planning	Mr. Salah Maalim Alio
3.	County Chief Officer Housing and Physical Planning	Mrs. Sulekha Osman
4.	Vice Board Chairperson	Mrs. Khadija issack Ibrahim
5.	Board Member 1	Mrs. Amina Maalim Ibrahim
6.	Board Member 2	Mr. Ismail Hassan Issack
7.	Board Member 4	Mr. Adan Alio Tache
8.	Board Member 5	Mr. Shukri Mohamed
9.	Municipality Manager	Mr. Abdi Hassan Abdulla

**d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Mr. Abdi Hassan Abdulla
2	Deputy Municipal Manager	Mr. Ibrahim Issackow Hussein
3	Head of finance	CPA. Adan Mohamed Dahir
4	Head of Procurement department	Mr. Mohamud Mohamed Ali
5	Head of Energy, environment and sanitation	Mr. Abdikarim Mohamed Aburo
6	Head of Public health	Mr. Hussein Mohamed Kher

**e) Fiduciary Oversight Arrangements**

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

**f) Registered Offices**

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

**g) Contacts**

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

**h) Bankers**

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




**i) Independent Auditor**



Auditor - General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya



**j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**3. Elwak Municipality Board**

<p><b>1. Mr. Said Ibrahim Hassan</b></p> 	<p>Mr. Said Hassan is the chairman of Elwak municipal board. Mr. Said is currently pursuing Master of Science project management at Jomo Kenyatta University of Agriculture and Technology, He holds a degree in Business management from East African University and a diploma in Clinical Medicine and surgery from Kenya Medical Training College. He is an affiliate of Kenya National Union of Nurses.</p> <p>He has a vast of experience in working with both Government and non-government organisation. Prior to joining the board he was working with Mercy –USA regional office as head of mission for South Sudan.</p>
<p><b>2. Mrs. Khadija issack Ibrahim</b></p> 	<p>Mrs. Khadija is the Vice Chairperson of Elwak Municipal Board. Mrs. Khadija Hold a diploma in Early Childhood Development (ECDE) from Mandera DICECE (2011-2012). She is a teacher by Profession. Have taught for 28years and currently Deputy Principal at El-Agarsu Secondary school.</p>
<p><b>3. Mrs. Amina Maalim Ibrahim</b></p> 	<p>Amina is a board member of Elwak Municipality Board. Mrs. Amina Holds a Diploma in Educational management system from Kenya Educational Management Institute (KEMI) (2016) and a diploma in Education from Kampala University (2009-2011). She completed Egoji Teachers Training College (1986-1988) as P1 Teacher.</p> <p>Mrs. Amina has worked for many years as a teacher in different schools and now she is a Deputy Head teacher at Al-Rowdha Integrated Primary School.</p>

<p><b>4. Mr. Ismail Hassan Issack</b></p> 	<p>Mr. Ismail is a board member of Elwak municipal Board. He holds a degree in business Management (sales and marketing option) from East African University (2014-2017), a diploma in Human resource Management from Kenya School of Professional Studies (2004-2005) and PI teacher’s certificate from Kericho Teachers College (1993-1995).</p> <p>Mr. Ismail is a senior Customer relation and marketing officer with Kenya power Mandera office. He was a member of power regional committee for HIV/AIDS drugs and substance abuse. Mr. Ismail worked for many years as a teacher at ALweis Primary School. He is an affiliate of Marketing Society of Kenya (MSK).</p>
<p><b>5. Mr. Adan Alio Tache</b></p> 	<p>Mr. Adan is a board member of Elwak Municipality Board. He holds bachelor of education science.</p> <p>Mr. Adan is a senior teacher at Borehole 11 secondary school and has 7years experience in teaching.</p> <p>He represents youth in the board.</p>



<p><b>6. Mr. Shukri Mohamed</b></p> 	<p>Mr. Shukri is a board member of Elwak Municipal Board. He is currently pursuing a diploma in Anaesthesia at Kenya Medical College, He holds Diploma in Community Health Nursing from Kenya Medical training College (Nairobi Campus).</p> <p>Mr. Shukri is a nurse at Mandera County Referral Hospital. He is an affiliate of Kenya National Union of Nurses.</p>
<p><b>7. Mr. Salah Maalim Alio</b></p> 	<p>Mr. Salah is County Executive Committee member for Lands, physical planning, Housing, Urban Development, Circular Economy, Solid waste management and Sanitation. He holds a Master of Science in Governance, peace and security management and undergraduate degree in Business Management. He has a vast years of experience ranging from consultancy works with NGOs to local organisation as part time consultancy on governance, peace, security management, leadership and climate change.</p> <p>Mr. Salah served as a two term elected councillor in the defunct Mandera County council 2002–2013.</p> <p>Mr. Salah’s last assignment was member and chair of Mandera Municipality board 2018-2021. He is an executive Member and a Member of the Finance, Administration, Development and Enforcement, Fire and Disaster Management Committee.</p>
<p><b>8. Zhuleikha Maalim Osman</b></p>	<p>Mrs. Zhuleikha is the county chief officer Housing and Urban development. She has a Bachelor’s Degree in Business Administration and Diploma in purchasing and supply from chartered institute of purchasing and supply (CIPS). Mrs. Zhuleikha has 9 years working experience in</p>




*County Government of Mandera  
Elwak Municipality  
Annual Report and Financial Statements for the year ended June 30, 2023*

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	<p>a management level. She is also a Member of Audit, Risk, Governance &amp; Compliance and also Energy and Environment Committee.</p>
<p><b>9. Mr. Abdi Hassan Abdulla</b></p> 	<p>Mr. Abdi Hassan Abdulla is the Secretary to the Municipal Board and the Manager of Elwak Municipality. He is the accounting officer for the Municipality. Mr. Abdi holds Bachelor of Science in Microbiology and is currently pursuing Master of Business Administration at Mount Kenya University. He worked for Mandera County Government as Economic Advisor to the Governor from October 2018 to September 2020. He also worked with Kenya Bureau of Standard (KEBS) as Principal Quality Assurance Officer (2004-2018). Mr Abdi is an Auditor and a trainer in Quality Management System i.e ISO9001-2015. Worked with African Muslim Agency as an Executive Secretary before joining KEBS.</p>

**4. Key Management Team**

<p><b>1. Mr. Abdi Hassan Abdulla</b></p> 	<p>Mr. Abdi Hassan Abdulla is the Secretary to the Municipal Board and the Manager of Elwak Municipality. He is the accounting officer for the Municipality. Mr. Abdi holds Bachelor of Science in Microbiology and is currently pursuing Master of Business Administration at Mount Kenya University. He worked for Mandera County Government as Economic Advisor to the Governor from October 2018 to September 2020. He also worked with Kenya Bureau of Standard (KEBS) as Principal Quality Assurance Officer (2004-2018). Mr Abdi is an Auditor and a trainer in Quality Management System i.e ISO9001-2015. Worked with African Muslim Agency as an Executive Secretary before joining KEBS.</p>
<p><b>2. Mr. Ibrahim Issackow Hussein</b></p> 	<p>Mr. Ibrahim is the Deputy Manager and holds Bachelor of education (arts), Diploma in education and P 1 teacher. Employed by teachers service commission (TSC) from 2008 to November 2018. Rose through the rank from classroom teacher, senior teacher, deputy head teacher to head teacher. Joined Mandera county government in Nov 2018 as town administrator Elwak town. Served as assistant director gender and social services Mandera and currently deputy municipal manager Elwak municipality.</p>

<p><b>3. CPA. Adan Mohamed Dahir</b></p> 	<p>CPA. Adan Mohamed is the head of Finance and Administration. He is a Certified Public Accountant and a member of ICPAK, He holds Bachelor of Commerce (Finance) and is currently pursuing Master of Business Administration at Kenyatta University. He has 10 years of working experience in Accounting and Financial sector.</p>
<p><b>4. Mr. Mohamud Mohamed Ali</b></p> 	<p>Mr. Mohamud is the head of Supply chain management, he holds Bachelor of Business management (purchase and supplies option). He has seven years of working experience in procurement and supply chain management field.</p>
<p><b>5. Hussein Mohamed Kher</b></p> 	<p>Mr. Hussein Mohamed Kheir is the head of Public health, His Currently pursuing Master of Public Health (Epidemiology and medical statistics option), Hold BSc. In Community Health and Development, Higher Diploma in Epidemiology and Diploma in Environmental Health Sciences.</p> <p>Mr. Hussein have up to 19 years' experience in the field of Public Health having work in the public sector as well as in NGOs</p>

6. Mr. Abdikarim Mohamed Aburo



Mr. Abdikarim is the Head of the department of Energy, Environment and sanitation.

He holds B.sc Environmental management and conservation from Masinde Muliro university.

He is the chief environment officer and have an accumulated Working Experience of 6years.

NEMA licensed, EIA/EA Associate Expert.

## **5. Elwak Municipality Board Chairperson's Report**

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

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

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

There is a principal and agency relationship between the Board of the Municipality and the Mandera County Government. The Elwak Board of the Municipality consist of nine members appointed by the Governor with the approval of the County Assembly. The Board of Directors consists of the Chairperson, Vice Chairperson, and County Executive Committee member for Lands, physical planning, Housing, Urban Development, Circular Economy, Solid waste management and Sanitation, the Chief Officer Housing and Urban development and five other Members. During the year under review, due to the change in the leadership of the county Government, Mr. Salah Maalim Alio replaced Mr. Adan Hussein as the new County Executive Committee Member for the department. Further, one Board member, Mr. Hassan Sheikh Alio representing the professional cadre who had resigned the previous year was yet to be replaced and thus the Board composition is less by one member as at the end of the financial year.

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

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

- fully furnished and operationalized the Office
- Afforestation
- Increased Collection and disposal of solid waste.
- Engaged over 250 vulnerable persons as casuals for sanitation and greening programs.

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

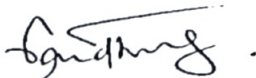
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However Elwak municipality was faced by the following Challenges in the reporting period;

- Budgetary constraints
- Some key functions of the Municipality have not been transferred i.e. Land urban development and revenue.
- Some functions that were transferred have not been handed over to the municipality i.e. Elwak regional market, the abattoirs, ports stadium among others.
- 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;

- 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 gab in human resources.



.....  
**Name: Said Ibrahim Hassan**

**Chairperson of the Board**

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

I hereby take this opportunity to forward the annual financial statement for the year 2022/2023.

This being the third financial statement to be prepared since the inception of Elwak Municipality, there were some unique challenges in preparing the same. The Municipality uses cheques in transacting its business.

During the period under review, Elwak Municipality received a budget allocation of Kenyan shillings ninety seven million (97,000,000) as a grant from the County Government of Mandera and as at 30<sup>th</sup> June, 2023 received and utilized Seventy Five Million Four hundred seventy six thousand six hundred ninety (75,476,690). However, the Municipality has not received an amount of Kenya shillings Twenty one million five hundred twenty three thousand three hundred ten (21,523,310) of the allocated and approved budget from the county government.

The budget allocation was an increase from ksh. 40,000,000 allocated in the financial year 2021/22.

In the previous financial year, the municipality was allocated an approved budget of Kenyan shillings forty Million out of which the Municipality received and accounted for Kenyan shillings thirty five million (35,000,000) as at the end of the year, However the municipality received the remain five million (5,000,000) two weeks after the closure of the financial year and thus the Municipality has accounted for the amount in this financial period.

It's imperative to note that this infant institution (Elwak Municipality) has no internal revenue generated on its own and therefore depended entirely on the limited Grant by the Mandera County Government to operationalize the office and run its programs.

### **Budget performance**

The municipality has utilized an overall budget utilization of 77.8% of the allocated and approved budget for the financial year 2022/2023.

### **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 Elwak Municipality achieved the following major milestones;

- fully furnished and operationalized the Office
- Afforestation
- Cleaning of the town
- Engaged 252 vulnerable persons as casuals for sanitation and greening programs.

Nonetheless, in the reporting period, Elwak municipality was faced by the following several challenges such as;

- Budgetary constraints
- Some key functions of the Municipality have not been transferred i.e. Land urban development and revenue.
- Some functions that were transferred have not been handed over to the municipality i.e. Elwak regional market, the abattoirs, ports stadium among others.
- Inadequate enforcement officers
- Lack of staff and equipment for the department of fire.

The Municipality management expects to overcome these challenges in the upcoming financial periods by employing the following vital approaches;

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

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



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

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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**7. Statement of Performance against Predetermined Objectives for the FY 2022/2023**

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 Elwak Municipality plan are to:

- (i) Provide for the efficient and accountable management of the affairs of the Municipality.
- (ii) Provide for a governance mechanism that will enable the inhabitants of the municipality to:
  - (a) Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations
  - (b) 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.
  - (c) Provide a high standard of social services in a cost effective manner to the inhabitants of the Municipality,
  - (d) Fostering economic, social and environmental wellbeing of the inhabitants.
  - (e) Provide for services and bylaws for the benefit of the Municipality.

Below we provide the progress on attaining the stated objectives:

Sanitation programme	Reduce idle solid wastes in town	To create a clean and safe environment for the citizens	Number of cleaning sessions	Cleaning was conducted every day throughout the reporting period
Afforestation programme	Greening of the municipality	To create a beautiful and climate friendly environment	Number of trees planted and maintained	Approximately 1,200 trees have been planted and the trees are watered on daily basis
Street lighting	To increase	To prevent crimes and	solar panels	Elwak town was

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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programme	access to solar power lighting	improve illumination	maintained	powered and the lighting maintained from vandalism

## **8. Corporate Governance Statement**

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

### **Corporate Governance**

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

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

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

### **Board Composition**

Each Municipal board member has a detailed letter of appointment setting out the terms and conditions of service including their fiduciary duties.

### **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, probity 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 Elwak Municipality's mandate. During the reporting period, induction and training were

undertaken to equip the Board with the necessary skills for effective discharge of their mandate.

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

The committee always 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 Elwak 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**

Elwak 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.

**Guiding Principles**

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

**Environment**

Elwak Municipality takes conscious measures to minimize any adverse effects on the environment by advocating for proper 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.

**Conflict of Interest**

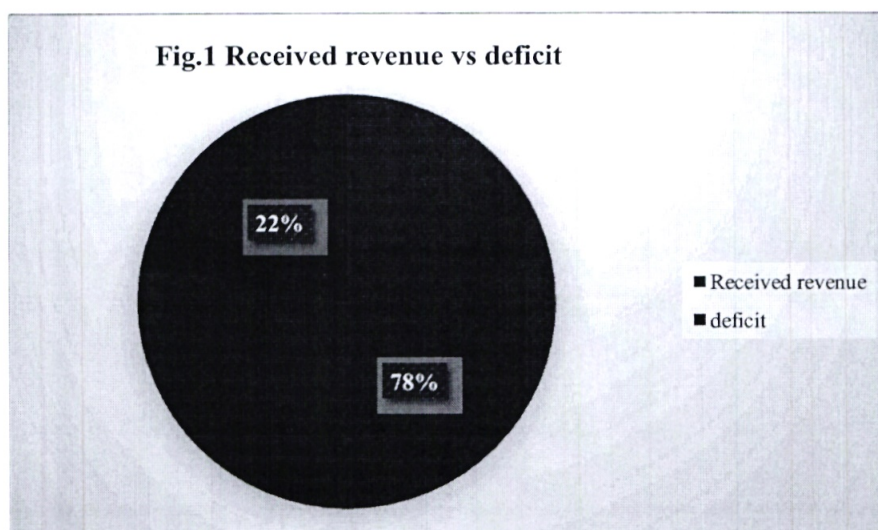
The Trustees are under a fiduciary duty to act honestly and in the best interest of the Elwak Municipality. Accordingly, Trustees ought to refrain from discussing or voting on a matter of real, perceived or potential conflict of interest.

**9. Management Discussion and Analysis**

**a) Operational and financial performance of the Municipality**

Elwak Municipality has been in existence since 2020 and has been performing its functions as per the Municipal Charter. During the financial year 2022/2023, Elwak Municipality had an approved budget of Kenyan Shillings Ninety seven Million (Kshs. 97,000,000). The County Treasury disbursed funds to the entity on quarterly basis and at the end of the period under review, Elwak Municipality had received Kenyan Shillings seventy five million four hundred seventy six thousand six hundred ninety (Kshs. 75,476,690) out of its budgeted revenue. This represents a performance of 78% of the approved allocation.

Thus the Municipality have not received an amount of Kenyan shillings twenty one million five hundred twenty three thousand three hundred ten (Kshs. 21,523,310) which relates to the pending bill for the period.



As indicated in the figure above, Elwak Municipality experienced a budget deficit of Kshs. 21,523,310 which made up 22% of the actual allocation.

Further, the budgeted allocation of Kshs. 97million was an increase from Kshs. 40 million that was allocated and received by the entity in the financial year 2021/2022.

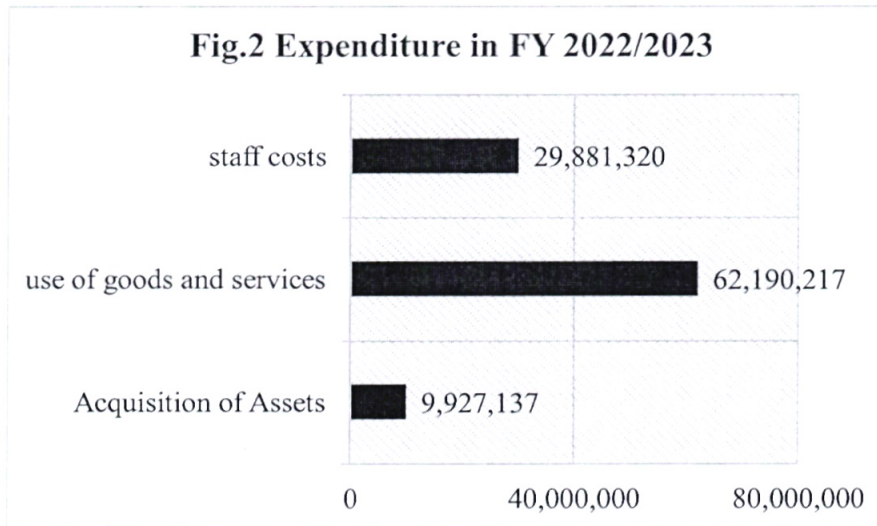
The Municipality has also accounted for the amount of Kenyan shillings five million received on 14<sup>th</sup> July 2022 that relates to the previous financial year, thus the

**County Government of Mandera**  
**Elwak Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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Municipality accounts for Kenyan shillings Eighty Million four hundred seventy six thousand six hundred ninety (Ksh. 80,476,690).

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



As highlighted in the figure, the Municipality's expenditure comprised of 29.3% incurred on compensation of employees, 60.8% on use of goods and services as well as 9.7% on acquisition of assets.

**b) Environmental and Sustainability Reporting**

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

**1. Sustainability strategy and profile**

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

**2. Environmental performance**

As part of Elwak Municipality's contribution to Mandera County's development agenda and our intent towards improving the wellbeing of our communities, in the financial year, Elwak Municipality rolled out tree planting and greening programmes in Elwak town and has been maintaining them ever since.

**3. Employee welfare**

Elwak Municipality's success is largely dependent on our human capital (people). Therefore, at Elwak Municipality, we seek to recruit, retain, reward and develop the best talent in the Country. We also 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-** Elwak 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-**

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

**5. Community Engagements**

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

**c) Report of the Elwak Municipality Board Members**

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Elwak Municipality affairs.

**Principal activities**

The principal activities of the Elwak Municipality are:

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

**Performance**

The performance of the Elwak Municipality for the year ended June 30, 2023 are set out on page xxii to xxiii.

**Board Members**

The members of the Board who served during the year are shown on page iv. The changes in the Board during the financial year are indicated in the chairperson's statement:

**Auditors**

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

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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By Order of the Board



.....  
**Name: Abdi Hassan Abdulla**

**Secretary of the Board**

**d) Statement of Management's Responsibilities**

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

The Elwak Municipality manager is responsible for the preparation and presentation of the Elwak Municipality's financial statements, which give a true and fair view of the state of affairs of the Elwak Municipality for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Elwak Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Elwak Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Elwak Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Elwak Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of Elwak Municipality's transactions during the financial year ended June 30, 2023, and the financial position as at that date.

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

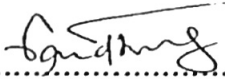
*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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

**Approval of the financial statements**

The Elwak Municipality's financial statements were approved by the Board on 22<sup>nd</sup> September 2023 and signed on its behalf by:

  
.....

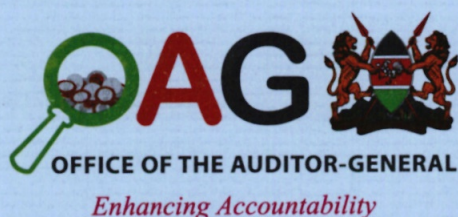
**Name: Said Ibrahim Hassan**  
**Chairperson of the Board**

  
.....

**Name: Abdi Hassan Abdulla**  
**Accounting officer of the Board**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON ELWAK MUNICIPALITY FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF MANDERA**

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### **PREAMBLE**

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

- A. Report on 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.
- 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.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Elwak Municipality set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2023 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 Elwak Municipality as at 30 June, 2023 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**

#### **1. Unsupported Property, Plant and Equipment Balance**

The statement of financial position reflects property, plant and equipment net book value balance of Kshs.28,589,407. The balance includes an amount of Kshs.18,143,000 in respect of other assets as disclosed in Note 13 to the financial statements. However, the details and composition of the other assets were not provided.

In the circumstances, the accuracy of property, plant and equipment balance of Kshs.28,589,407 could not be confirmed.

#### **2. Lack of Depreciation Policy on Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment net book value balance of Kshs.28,589,407. The property, plant and equipment movement schedule in Note 13 reflects depreciation charge for the year of Kshs.2,462,730 comprising of Kshs.1,078,125 for furniture and fittings, Kshs.1,074,605 for computers and Kshs.310,000 on other assets. However, Management did not disclose the approved depreciation policy used in depreciation of the assets.

In the circumstances, the accuracy of property, plant and equipment balance of Kshs.28,589,407 could not be confirmed.

#### **3. Accuracy of Statement of Financial Position**

The statement of financial position reflects capital/development grants/fund and accumulated surplus of Kshs.31,217,091 and negative Kshs.2,461,404 respectively while the statement of changes in net assets reflects Kshs.28,927,137 and negative Kshs.171,450 for the same items. The resulting variances between the balances have not been explained or reconciled.

In the circumstances, the accuracy of the financial statements could not be confirmed.

#### **4. Routine Maintenance – Other Assets**

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects an expenditure on use of goods and services amounting to Kshs.62,190,217 which includes routine maintenance of other assets of Kshs.14,779,309. However, the expenditure does not relate to maintenance of property, plant and equipment or any assets but relate to other unrelated expenditure as detailed below:

<b>Date</b>	<b>CB/NO</b>	<b>Payee</b>	<b>Particulars</b>	<b>Amount (Kshs.)</b>
11/11/2022	59	Dauder Building Construction	Being payment for the proposed hole digging for tree plantation	1,000,000.00
12/1/2023	86	El-nour & Sons Enterprise Ltd	Being payment for the proposed bush clearing at Baraz Park	3,931,034.00
12/1/2023	87	Naamaz Logistics Ltd	Being payment for the repair and maintenance of street lights	2,948,275.00
18/5/2023	118	Dauder Building Construction Co.	Being payment for the proposed hole digging for tree planting	800,000.00
18/5/2023	124	Amasa Construction & Gen Supplies	Being payment for the relocation of garbage along B9 roads to the main dumpsite	400,000.00
		<b>Total</b>		<b>9,079,309.00</b>
		<b>Expenditure Incurred but not Paid</b>		
30/6/2023		Dauder Building Construction Co	Proposed holes digging for greening program	800,000.00
30/6/2023		Dauder Building Construction Co	Proposed fencing of holes for plants	3,800,000.00
30/6/2023		Amasa Construction and Gen Supplies Ltd	Relocation of garbage from CBD to main dumpsite (Udole)	1,100,000.00
		<b>Total</b>		<b>5,700,000.00</b>
		<b>Total Expenditure</b>		<b>14,779,309.00</b>

Further, the expenditure has been paid to only four suppliers.

In the circumstances, the accuracy of routine maintenance - other assets expenditure amount of Kshs.14,779,309 could not be confirmed.

### **5. Inaccurate Hire of Transport Equipment**

The statement of financial performance and as disclosed in Note 7 to the financial statements reflects use of goods and services amount of Kshs.62,190,217 which includes hire of transport equipment of Kshs.23,820,553. However, the amount differ with the general ledger amount of Kshs.15,682,753 resulting to unreconciled variance of Kshs.8,137,800. Further, the hire of transport equipment expenditure was not there in financial year 2021/2022 and 2019/2020 even though the Municipality was still operational. Management did not provide supporting documents to justify the start of using this service and the procurement documents to show how the service providers were identified and the budget approval by the Municipal Board.

In the circumstances, the accuracy of hire of transport equipment expenditure of Kshs.23,820,553 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit of the previous year, several issues were raised under Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management did not resolve the issues as at 30 June, 2023.

#### **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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Late Remittance of Statutory Deductions**

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects expenditure amount of Kshs.29,881,320 in respect of staff costs. However, the amount includes Kshs.1,196,100 and Kshs.2,120,000 deducted from employee salaries in respect of the National Health Insurance Fund and National Social Security Fund for the month of January, May, July, August and September which were not remitted within the statutory timelines. This was contrary to Section 19(4) of the Employment Act, 2007 which provides that an employer who deducts an amount from an employee's remuneration in accordance with subsection (1)(a), (f), (g) and (h) shall pay the amount so deducted in accordance with the time period and other requirements specified in the law, agreement, court order or arbitration as the case may be.

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

#### **2. Lack of an Approved Integrated Development Plan**

The Municipality was established without an approved Integrated Development Plan. The Integrated Development Plan is a critical road map in achieving the development goals

for an urban area hence failure to come up with the plan means that the Municipality may have lacked clear direction to facilitate achievement of its intended goals. This was contrary to Section 9(3)(b) of the Urban Areas and Cities Act, 2011 which provides that a town is eligible for the conferment of municipal status under this Act if the town has an integrated development plan in accordance with this Act.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The standard requires 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 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 overall governance were not effective.

### Basis for Conclusion

#### 1. Weak Internal Controls on Inventory Management

The statement of financial position and as disclosed in Note 12 to the financial statements reflects inventories balance of Kshs.164,050 as at 30 June, 2023. However, it was observed that quarterly or annual inventory stock takes were not carried out. In addition, the Management did not prepare a report on obsolete and unserviceable inventory as required by the Public Procurement and Asset Disposal Regulations, 2020 which requires the officer in charge of stores to report half-yearly in writing to the head of the procurement function of any obsolete or unserviceable stores.

In the circumstances, it was not possible to confirm existence of effective internal controls on inventory management.

#### 2. Failure to Establish an Internal Audit Unit and Audit Committee

The Municipality operated without an audit committee and an audit department as required by Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which requires each county government entity to establish an audit committee which shall support the accounting officers with regard to their responsibilities for issues of risk, control and governance and associated assurance and also to follow up on the implementation of the recommendations of internal and external auditors. Section 155(5) of the Public Finance Management Act, 2012 provides that a county

government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

In the circumstance, it was not possible to confirm existence of effective internal controls, risk management and governance structures in the Municipality.

### **3. Lack of Information Technology Internal Controls**

Review of the Municipal internal control and risk management processes revealed that the Municipality did not have an Information Technology (IT) Strategy Committee and IT Steering Committee. In addition, policies in respect of physical access to IT environments were not in place.

Further, the Municipality did not have Disaster Management and Recovery Policies in place including fire suppression systems. In addition, the Municipality did not have business continuity plan and the IT continuity plan including an off-site back-up plan.

In the circumstances, lack of key policies may impact negatively on overall governance of the Municipality.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 Management and the 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 overall governance.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, 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 accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Municipality's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

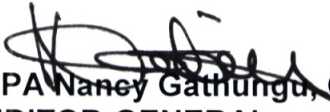
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 January, 2024


*Elwak Municipality  
County Government of Mandera  
Annual Report and Financial Statements for the year ended June 30, 2023*


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**f) Statement of Financial Performance for The Year Ended 30 June 2023.**

Statement of Financial Performance for The Year Ended 30 June 2023			
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	92,072,863	35,000,000
<b>Total revenue</b>		<b>92,072,863</b>	<b>35,000,000</b>
<b>Expenditure</b>			
Use of goods and services	7	62,190,217	14,927,962
Staff costs	8	29,881,320	16,908,634
Depreciation and amortization	9	2,462,730	875,000
<b>Total expenses</b>		<b>94,534,267</b>	<b>32,711,596</b>
<b>Surplus/(deficit) for the period</b>		<b>(2,461,404)</b>	<b>2,288,404</b>

The notes set out on pages 21 to 28 form an integral part of these Financial Statements. The entity financial statements were approved on 22<sup>nd</sup> September 2023 and signed by:

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

  
.....  
Name: Adan Mohamed Dahir  
Head of Finance  
ICPAK M/No 24367

*County Government of Mandera  
Elwak Municipality  
Annual Report and Financial Statements for the year ended June 30, 2023*

**g) Statement of Financial Position as At 30 June 2023**

Statement of Financial Position as At 30 June 2023			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	2,230	904
Receivables from Non- exchange transactions	11	21,523,310	5,000,000
Inventories	12	164,050	164,050
<b>Total current assets</b>		<b>21,689,590</b>	<b>5,164,954</b>
<b>Non-current assets</b>			
Property, plant, and equipment	13	28,589,407	21,125,000
<b>Total Non-current Assets</b>		<b>28,589,407</b>	<b>21,125,000</b>
<b>Total assets</b>		<b>50,278,997</b>	<b>26,289,954</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	21,523,310	5,000,000
<b>Total current liabilities</b>		<b>21,523,310</b>	<b>5,000,000</b>
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>21,523,310</b>	<b>5,000,000</b>
<b>Net assets</b>		<b>28,755,687</b>	<b>21,289,954</b>
Capital/Development Grants/Fund		31,217,091	19,000,000
Accumulated surplus		(2,461,404)	2,289,954
<b>Total net liabilities</b>		<b>28,755,687</b>	<b>21,289,954</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Elwak Municipality's financial statements were approved on 22<sup>nd</sup> September 2023 and signed by:



.....  
Name: Abdi Hassan Abdulla  
Elwak Municipality Manager  
Date: 22/09/2023



.....  
Name: Adan Mohamed Dahir  
Head of Finance  
ICPAK M/No 24367  
Date: 22/09/2023

**County Government of Mandera**  
**Elwak Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**h) Statement of Changes in Net Assets for the Year Ended 30 June 2023**

Description	2022		2023	
	County Fund	Other Funds	County Fund	Other Funds
<b>Bal as at 1 July 2021</b>	19,000,000	0	1,550	19,001,550
Surplus/(deficit) for the year	-	-	2,288,404	2,288,404
Funds received during the year		0	-	0
Revaluation gain	-	0	-	0
<b>Bal as at 30 Jun 2022</b>	<b>19,000,000</b>	<b>0</b>	<b>2,289,954</b>	<b>21,289,954</b>
<b>Bal as at 1 July 2022</b>	<b>19,000,000</b>	<b>0</b>	<b>2,289,954</b>	<b>21,289,954</b>
Surplus/(deficit) for the year	-	-	(2,461,404)	(2,461,404)
Funds received during the year	9,927,137	-	-	9,927,137
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2023</b>	<b>28,927,137</b>	<b>0</b>	<b>(171,450)</b>	<b>28,755,687</b>

*Elwak Municipality  
County Government of Mandera  
Annual Report and Financial Statements for the year ended June 30, 2023*

**i) Statement of Cash Flows for the Year Ended 30 June 2023**

<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	102,000,000	35,000,000
<b>Total Receipts</b>		<b>102,000,000</b>	<b>35,000,000</b>
<b>Payments</b>			
Use of goods and services	7	62,190,217	14,927,962
Staff costs	8	29,881,320	16,908,634
<b>Total Payments</b>		<b>(92,071,537)</b>	<b>(31,836,596)</b>
<b>Increase in Inventory</b>	9	<b>(0)</b>	<b>(164,050)</b>
<b>Net cash flows from operating activities</b>		<b>9,928,463</b>	<b>2,999,354</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets	13	(9,927,137)	(3,000,000)
<b>Net cash flows used in investing activities</b>		<b>(9,927,137)</b>	<b>(3,000,000)</b>
<b>Cash flows from financing activities</b>			
Receipts from Capital grants		0	0
Proceeds from borrowings		0	0
Repayment of borrowings		(0)	(0)
<b>Net cash flows used in financing activities</b>		<b>(0)</b>	<b>(0)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>1,326</b>	<b>(646)</b>
Cash And Cash Equivalents At 1 July	10	904	1,550
<b>Cash And Cash Equivalents At 30 June</b>	10	<b>2,230</b>	<b>904</b>

*Elwak Municipality  
County Government of Mandera  
Annual Report and Financial Statements for the year ended June 30, 2023*

j) Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2023

	A	b	c=(a+b)	D	e=(c-d)	f=d/c
<b>Revenue</b>		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	102,000,000	(0)	102,000,000	80,476,690	21,523,310	78.9%
<b>Total Revenue</b>	<b>102,000,000</b>	<b>0</b>	<b>102,000,000</b>	<b>80,476,690</b>	<b>21,523,310</b>	<b>78.9%</b>
<b>Expenses</b>						
Use of goods and services	62,000,000	(0)	62,000,000	41,807,147	20,192,853	67.4%
Staff Costs	30,00,000	(0)	30,000,000	29,491,080	508,920	98.3%
<b>Total Expenditure</b>	<b>92,000,000</b>	<b>(0)</b>	<b>92,000,000</b>	<b>71,298,227</b>	<b>20,701,773</b>	<b>77.5%</b>
<b>Surplus for the period</b>	<b>10,000,000</b>	<b>0</b>	<b>10,000,000</b>	<b>9,178,463</b>	<b>821,537</b>	
<b>Capital Expenditure</b>	<b>10,000,000</b>	<b>(0)</b>	<b>10,000,000</b>	<b>9,178,463</b>	<b>821,537</b>	<b>91.8%</b>

Out of the budgeted Kshs. 102,000,000 only Kshs. 80,476,690 was received in the year leading to a variance of Kshs. 21,523,310. This delay in release of funds from the County Treasury impacted the absorption rate by the municipality.

## **k) Notes to the Financial Statements**

### **1. General Information**

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

The entity's principal activity is.

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

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

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

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

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

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p>

Standard	Effective date and impact
	<p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

**County Government of Mandera**  
**Elwak Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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><b><i>Applicable 1<sup>st</sup> January 2025</i></b></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>

iii. *Early adoption of standards*

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

*(Notes to financial statements continued)*

#### **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 has 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 2022/2023 was approved by the County Assembly. There were no Subsequent revisions or additional appropriations made to the approved budget.

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

Statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and

actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under the section of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Elwak 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.

*(Significant accounting policies continued)*

**e) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

*(Significant accounting policies continued)*

**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 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.

*(Significant accounting policies continued)*

### **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.

### **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 Elwak Municipality.

*(Significant accounting policies continued)*

**g) Provisions**

Provisions are recognized when the Elwak 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 Elwak 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 need of society as a whole. The entity recognises a social benefit as an expense for the social benefit 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 Elwak 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.

*(Significant accounting policies continued)*

**j) Contingent assets**

The Elwak 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 Elwak 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 Elwak Municipality creates and maintains reserves in terms of specific requirements.

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

The Elwak 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 Elwak Municipality does not provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the Elwak Municipality pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Elwak 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.

*(Significant accounting policies continued)*

**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 Elwak 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 Elwak Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the Elwak Municipality Managers and Elwak 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. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**County Government of Mandera**  
**Elwak Municipality**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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*(Significant accounting policies continued)*

**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 Elwak 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 Elwak 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 Elwak 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 Elwak 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 Elwak 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 Mandera  
Elwak Municipality  
Annual Report and Financial Statements for the year ended June 30, 2023*

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*Notes to the Financial Statements*

**6. Transfers from the County Government**

Description	Amount	Amount
Transfers from County Govt. – Recurrent	92,072,863	35,000,000
<b>Total</b>	<b>92,072,863</b>	<b>35,000,000</b>

**(a) Transfers from County Government entities (Categorized)**

Name Of The Entity Reporting The Item	Amount recognized to Statement of financial performance Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund Kshs	Total grant income during the year Kshs	2021/2022 Kshs
Mandera County Treasury	92,072,863	0	9,927,137	102,000,000	35,000,000
<b>Total</b>	<b>92,072,863</b>	<b>0</b>	<b>9,927,137</b>	<b>102,000,000</b>	<b>35,000,000</b>

*Notes to the Financial Statements*

**7. Use of Goods and Services**

Description		
Utilities, supplies and services	180,828	58,526
Domestic travel and subsistence	1,203,761	302,400
Printing, advertising, supplies & services	3,265,670	230,000
Training expenses	0	6,200,000
Hospitality supplies and services	2,464,000	624,600
Specialized materials and services	4,000,000	1,965,516
Office and general supplies and services	8,473,737	3,525,950
Other operating expenses ( <i>Specify</i> )	4,002,359	2,020,970
Routine maintenance – other assets	14,779,309	0
Hire of Transport, equipment etc	23,820,553	0
<b>Total</b>	<b>62,190,217</b>	<b>14,927,962</b>

**8. Staff costs**

Description		
Salaries and wages	26,565,220	15,555,484
National Social security contribution	2,120,000	656,000
National Health insurance fund	1,196,100	697,150
<b>Total</b>	<b>29,881,320</b>	<b>16,908,634</b>

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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*Notes to the Financial Statements*

**9. Depreciation and amortization**

Description		
Property, plant and equipment	2,462,730	875,000
<b>Total depreciation and amortization</b>	<b>2,462,730</b>	<b>875,000</b>

Notes to the Financial Statements

10. Cash and cash equivalents

Exemption		
Current account	2,230	904
<b>Total cash and cash equivalents</b>	<b>2,230</b>	<b>904</b>

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

Financial institution	Account number	FY 2022/23	FY 2021/22
<b>a) Current account</b>			
Equity Bank		2,230	904
<b>Total</b>		<b>2,230</b>	<b>904</b>

11. Receivables from Non-Exchange transaction

Exemption		
Transfer from County Executive	21,523,310	5,000,000
<b>Total receivables from non-exchange transactions</b>	<b>21,523,310</b>	<b>5,000,000</b>

Ageing analysis for Receivables from non-exchange transactions

	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	21,523,310	100%	5,000,000	100%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
<b>Total</b>	<b>21,523,310</b>	<b>%</b>	<b>5,000,000</b>	<b>%</b>

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

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**12. Inventories**

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

County Government of Mandera  
 Elwak Municipality  
 Annual Report and Financial Statements for the year ended June 30, 2023

(Notes to the Financial Statements Continued)

13. Property, Plant and Equipment

<b>As at 1 July 2021(previous year)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,000,000</b>	<b>1,500,000</b>	<b>14,500,000</b>	<b>0</b>	<b>19,000,000</b>
Additions	0	0	0	3,000,000	-	0	0	3,000,000
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfers/adjustments	(0)	-	0	0	(0)	(0)	0	(0)
<b>As at 30th June 2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,000,000</b>	<b>1,500,000</b>	<b>14,500,000</b>	<b>0</b>	<b>22,000,000</b>
Additions for the year	0	0	0	3,000,000	2,974,137	3,953,000	0	9,927,137
Disposals for the year	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfer/adjustments	(0)	-	0	0	(0)	(0)	0	(0)
<b>As at 30th June 2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,000,000</b>	<b>4,474,137</b>	<b>18,453,000</b>	<b>0</b>	<b>31,177,137</b>
<b>Depreciation and impairment</b>								
<b>At 1 July 2021</b>		0	0	0	0	0	0	0
Depreciation		0	0	375,000	500,000	0	0	00
Impairment		(0)	(0)	-	-	(0)	(0)	(0)
Transfers/ Adjustments		-	(0)	-	-	(0)	-	(0)



(Notes to the Financial Statements Continued)

14. Trade and other payables

Trade payables	21,523,310		5,000,000	
Other payables ( <i>Specify</i> )	0		0	
<b>Total trade and other payables</b>	<b>21,523,310</b>		<b>5,000,000</b>	
<b>Ageing analysis:</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	21,523,310	100%	5,000,000	100%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
<b>Total</b>	<b>21,523,310</b>	<b>100%</b>	<b>5,000,000</b>	<b>100%</b>

*Notes to the Financial Statements*

**15. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Elwak 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 Elwak Municipality is related to the following entities:

- a) The County Government.
- b) The Ministry of Lands and Urban Development.
- c) County Assembly.
- d) Key management.
- e) Elwak Municipality Board;

**b) Related party transactions**

Description		
Transfers from related parties'	80,476,690	35,000,000
Transfers to related parties	0	0

**c) Key management remuneration**

Description		
Board Members	154,000	140,000
Key Management Compensation	0	0
<b>Total</b>	<b>154,000</b>	<b>140,000</b>

**d) Due from related parties**

Description		
Due from parent Ministry	0	0
Due from County Government	21,523,310	5,000,000
Due from County Assembly	0	0
<b>Total</b>	<b>21,523,310</b>	<b>5,000,000</b>

*Notes to the Financial Statements*

**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 unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

**I. Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment 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 is made up as follows:

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. The carrying amount of the Municipality's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

#### **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.

*(Other Disclosures continued)*

#### **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 Elwak 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's:

#### **VII. Depreciation**

The municipality depreciates the assets on the straight line method and Assets are not depreciated on the year of Acquisitions but the subsequent years.

Elwak Municipality uses the following rate for depreciating assets

- Buildings 2%
- Furniture, plant and Equipment 12.5%
- Motor vehicle 25%
- Computers and devices  $33\frac{1}{3}$  %

**I) 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	Issue/ Observations from Auditor	Management comments	By/ No. Recommendation	By/ No. Recommendation
1	<p>The statement of financial position and as disclosed in Note 8 to the financial statements reflects a Net Book Value of Kshs.21,125,000 for property, plant and equipment as at 30 June, 2022 and a comparative balance of Kshs.19,000,000. However, Management did not depreciate the assets in the previous year ended 30 June, 2021.</p> <p>In addition, the statement of financial performance reflects Kshs. Nil acquisition of assets balance while the statement of cash flows reflects purchase of property, plant and equipment and intangible assets balance of Kshs.3,000,000, resulting in unexplained variance of Kshs.3,000,000. Similarly, Note 4 to the financial statements reflects Kshs. Nil balance of acquisition of assets.</p> <p>In the circumstance, the accuracy and completeness of the property, plant and equipment balance could not be confirmed.</p>	<p>The management did depreciate the assets and deducted a depreciation amount of ksh 875,000. The depreciation was done for the previous year only since the Municipality do not depreciate assets on the year of acquisition. Since the municipality is using the accrual method of financial reporting assets are capitalized and are not reported as acquisition in the statement of financial performance. The amount of asset is shown as surplus in the financial performance. Note 4 reflects Nil balance of acquisition of assets since the acquired assets are capitalized.</p>	Under review	July 2024
2	<p>The statement of financial performance reflects an expenditure Kshs.16, 908,634 for staff costs as disclosed in Note 3 to the financial statements which comprises of salaries and wages paid to casual staff. The</p>	<p>Attached find the board approval minute of the meeting, the local Advertisement, sample of appointment letters and personal files</p>	Under review	July 2024

*County Government of Mandera*  
*Elwak Municipality*  
*Annual Report and Financial Statements for the year ended June 30, 2023*

	<p>Management did not avail approvals and authority to hire, advertisements for recruiting, appointment letters and temporary personal files for the casuals to support the expenditure. In the circumstances, the propriety of the staff costs could not be confirmed.</p>			
3	<p>The statement of financial performance reflects an expenditure Kshs.14,927,962 under use of goods and services. Included in the expenditure is an amount of Kshs.2,020,970 in respect of other operating expenses as disclosed under Note 2 to the financial statements, out of which an amount of Kshs.140,000 was spent on Board expenses. However, the Management used the rates approved by Salaries and Remuneration Commission (SRC) as sitting allowances for the County Assembly Service Board (CASB) instead of seeking guidance from the Commission on the applicable rates.</p> <p>In the circumstance, the propriety and accuracy of Board expenses balance of Kshs.140,000 could not be confirmed.</p>	<p>The municipality used the rates approved by the salaries and remuneration commission (SRC) as a sitting allowance for the Municipal boards which is similar in rates to the sitting allowances for county assembly service board sitting allowance. The municipality have provided the two seculars on rates</p>	Under review	July 2024
4	<p>As disclosed in Note 2 to the financial statements, the statement of financial performance reflects use of goods of Kshs.14,927,962 which includes rent and rates of Kshs.Nil balance. However, the Municipality incurred an expenditure of Kshs.6,232,884 in</p>	<p>The municipality budget decreased from sixty one million to forty million thus the municipality was unable to fund all the programs, of the forty million budget the municipality received</p>	Under review	July 2024

*County Government of Mandera*

*Elwak Municipality*

*Annual Report and Financial Statements for the year ended June 30, 2023*

	<p>2020/2021 financial year, but had not explained or supported the Kshs.Nil expenditure on rent and rates during the year under review. In the circumstances, accuracy of the rent and rates could not be confirmed.</p>	<p>thirty five million and some of motor vehicle rent were not paid as at 30<sup>th</sup> June 2022.</p>		
5	<p>As disclosed in Note 3 to the financial statements, the statement of financial performance reflects salaries and wages balance of Kshs.15,555,484 which increased by Kshs.6,121,584 from Kshs.9,433,900 in the previous year. However, Management did not provide details of new employees or explanations in support of the significant increase in staff salaries and wages during the year under review. In the circumstances, the expenditure amounting to Kshs.15,555,484 reflected in statement of financial performance could not be confirmed</p>		<p>Under review</p>	<p>July 2024</p>
6	<p>During the year under review it was observed that the County Executive of Mandera did not transfer some key functions to the Municipality including Land Urban development and revenue collection. Other functions that had not been handed over to the Municipality were management of Elwak regional market, the abattoirs, port stadium among others.</p>	<p>The transfer of the function are done by the Governor through the gazette notice, therefore The management and the municipal board will liaise with the county executive and the governor to ensure smooth transfer of remaining key functions</p>	<p>Under review</p>	<p>July 2024</p>


7	<p>Review of the statement of receipts and payments for the year ended 30 June, 2022 revealed that the Municipality is financed solely through revenue allocated by the County Government contrary to Section 172(a) of Public Finance Management Act, 2012 which states that an urban area or city may also be funded through revenue arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area. Further, conferment of municipal status may have been made without satisfying criteria of demonstrable revenue collection or revenue collection potential contrary to Section 9 (3)(c) of the Urban Areas and Cities (Amendment) Act, 2019.</p>	<p>The transfer of the functions are done by the Governor through gazette notice. Since the Municipality is in the operationalization stage and collection of revenue requires more staffs and resources the county Executive have found it better for the proper establishment of the Municipality before transferring such a crucial docket, however the management and the municipal board will liaise with the county executive and the governor to ensure smooth transfer of the function.</p>	Under review	
8	<p>The Management used request for quotation method to procure the services instead of request for proposal method as required by Section 116(1)(b) of the Public Procurement Asset Disposal Act, 2015 which states that an accounting officer of a procurement entity may use request for proposal for a procurement if the services to be procured are advisory or otherwise of a predominately intellectual nature.</p>	<p>The management used request for quotation since there were no template for request for proposal, the management invited the service providers from the prequalified lists. The management regret the use of wrong methods and therefore will train the respective staffs on the public procurement acts to avoid the repeat in the next financial year.</p>	Under review	July 2024
9	<p>The statement of financial performance reflects a balance of Kshs. 16,908,634 for staff costs. Included in the expenditure is an amount of Kshs. 652,800 for social security contributions.</p>	<p>It's true that Elwak Municipality did remit past deadlines due to delays in the release of fund from the county government, the management will put more</p>	Under review	July 2024

*County Government of Mandera*

*Elwak Municipality*

*Annual Report and Financial Statements for the year ended June 30, 2023*

	<p>During the year under review, the Municipality made NSSF deductions amounting to Kshs. 652,800 from the casuals' payroll. However, examination of the relevant documentation availed for audit revealed that NSSF deductions amounting to Kshs. 652,800 were not remitted within the statutory timelines.</p>	<p>effort in the subsequent years to abide by the set down deadlines to avoid penalties and interrupted services to its employees.</p>		
10	<p>The statement of financial position reflects an expenditure of Kshs.16,908,634 for staff costs against total revenue of Kshs.35,000,000. This translates to staff cost being 48% of the total revenue reported, which exceeds the set limit of 35% contrary to Section 25 (1) of the Public Finance Management (County Government) Regulations, 2015</p>	<p>This was due to a reduction in the budget from 61,000,000 to 40,000,000 and that the casuals were engaged in the previous year and the municipality expected an increase in the budget. Reducing the number of casuals would have led to non-performance of key functions such as town cleaning and watering of trees.</p>	<p>Under review</p>	<p>July 2024</p>

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*Accounting officer –Elwak Municipality*

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Annual Report and Financial Statements for the year ended June 30, 2023*

**Appendix 2: Inter Entity Transfers**

FY 2022/2023				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		14/7/2022	5,000,000.00	FY 2021/2022
		12/10/2022	7,000,000.00	FY 2022/2023
		2/11/2022	25,000,000.00	FY 2022/2023
		4/1/2023	20,000,000.00	FY 2022/2023
		3/4/2023	6,476,690.00	FY 2022/2023
		1/5/2023	11,000,000.00	FY 2022/2023
		28/6/2023	6,000,000.00	FY 2022/2023
		<b>Total</b>	<b>80,476,690</b>	

  
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*Elwak Municipality - Finance Manager*

  
 .....  
*Mandera County - Director Accounting services*