

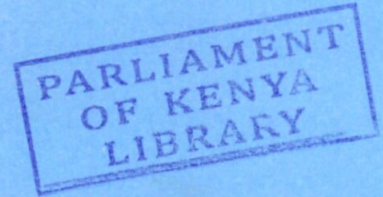
REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

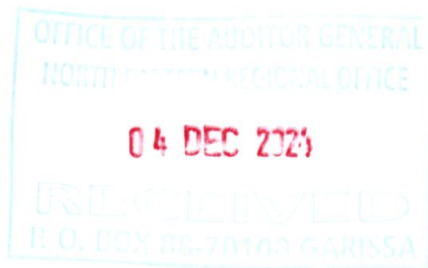
ON

ELWAK MUNICIPALITY

**FOR THE YEAR ENDED
30 JUNE, 2024**

COUNTY GOVERNMENT OF MANDERA

PAPERS LAID	
DATE	6/3/2025
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COMMITTEE	
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Revised 30th June 2024



ELWAK MUNICIPALITY
County Government of Mandera

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024

**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, 2024

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standard
FY	Financial Year
PFMA	Public Finance Management Act
OSHA	Occupational Safety & Health Act

B. Definition of Key Terms

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

Comparative Year- Means the prior period.

2. Key Entity Information and Management

a) Background information

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

b) Principal Activities

The principal activity/mission/ mandate of the Municipality is

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

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

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

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
Website: www.elwakmunicipality.co.ke

h) Bankers

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

County Government of Mandera

Elwak Municipality

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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>1. Mr. Said Ibrahim Hassan</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>2. Mrs. Khadija issack Ibrahim</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>3. Mrs. Amina Maalim Ibrahim</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>4. Mr. Ismail Hassan Issack</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>5. Mr. Adan Alio Tache</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>6. Mr. Shukri Mohamed</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>7. Mr. Salah Maalim Alio</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>8. Zhuleikha Maalim Osman</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 a management level. She is also a Member of Audit, Risk, Governance & Compliance and also Energy and Environment Committee.</p>




9. Mr. Abdi Hassan Abdulla



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.

4. Key Management Team

<p>1. Mr. Abdi Hassan Abdulla</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>2. Mr. Ibrahim Issackow Hussein</p> 	<p>Mr. Ibrahim is the Deputy Manager and holds Bachelor of education (arts), Diploma in education and P I 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 with Mandera County Government and currently deputy municipal manager Elwak</p>

	municipality.
<p>3. CPA. Adan Mohamed Dahir</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 Master of Business Administration (MBA- Finance) from Kenyatta University. He has 11 years of working experience in Accounting and Financial sector.</p>
<p>4. Mr. Mohamud Mohamed Ali</p> 	<p>Mr. Mohamud is the head of Supply chain management, he holds Bachelor of Business management (purchase and supplies option). He has Eight years of working experience in procurement and supply chain management field.</p>
<p>5. Mr. Abdikarim Mohamed Aburo</p> 	<p>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 7 years. NEMA licensed, EIA/EA Associate Expert.</p>

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 15th 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, there were no changes in the board and key management.

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

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

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

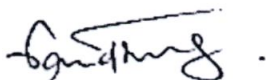
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However, Elwak municipality was faced by the following Challenges in the reporting period;

- Budgetary constraints
- Some key functions of the Municipality have not been transferred i.e. Land urban development and some sector of revenue
- Lack of approved spatial plan
- Flooding due to poor drainage system
- 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 engage the department of land for the fast trucking of the approval of the spatial plan and the construction of drainage system thereafter.
- The board will formally engage the Governor to transfer the functions that were not transferred.
- The board will engage the public service board to employ the staff to overcome the gap 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 2023/2024.

This being the fourth 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 one hundred thirteen million Six hundred forty one thousand three hundred forty three (Kshs. 113,641,343) as a grant from the County Government of Mandera and as at 30th June, 2024 received and utilized One Hundred Seven Million Five hundred thousand (107,500,000). However, the Municipality has not received an amount of Kenya shillings Six million one hundred forty one thousand three hundred forty three (Kshs. 6,141,343) of the allocated and approved budget from the county government as at 30th June 2024.

The budget allocation was an increase from ksh. 97,000,000 allocated in the financial year 2022/23.

In the previous financial year, the municipality was allocated an approved budget of Kenyan shillings Ninety Seven Million out of which the Municipality received and accounted for Kenyan shillings Seventy Five Million Four hundred seventy six thousand six hundred ninety (75,476,690) as at the end of the year, However the municipality didn't receive the remain 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 municipality paid Kenyan shillings eleven million six hundred fifty three thousand seven hundred twenty six (Kshs. 11,653,726) of the previous year pending liability, the Municipality's accumulated liability as at 30th June 2024 stands at Kenya shillings thirty million four hundred eighty eight thousand six hundred seventy four. (Kshs. 30,488,674)

In December 2024, the county executive committee member for finance designated Elwak Municipality as a receiver of revenue from different revenue streams, the municipality collect revenue on behalf of the county Government and submit to the Mandera County revenue fund at the Central Bank.

During the financial year the county government through the county Executive Committee Member for trade transferred the management of Elwak Regional Market to the Municipality.

Budget performance

The municipality has utilized an overall budget utilization of 99.9% of the allocated and approved budget for the financial year 2023/2024.

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 350 vulnerable persons as casuals for sanitation and greening programs.
- Under taken flood control and storm drainage during the el-nino
- Improvement of municipality roads.

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.
- 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 gab 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
Elwak Municipality Manager

7. Statement of Performance against Predetermined Objectives for the FY 2023/2024

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:

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

8. Corporate Governance Statement

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

Corporate Governance

The Municipal board is responsible for the governance of the Elwak Municipality and is accountable to the stakeholders for ensuring that the Elwak Municipality 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 Elwak Municipality with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Code of Conduct and Ethics

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

Board Composition, Process of appointment and removal of Board members.

The Board of the Municipality consist of nine members appointed by the Governor with the approval of the County Assembly.

The members of the board appointed constituted as follows:

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

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

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

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

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

- a) Holds at least a diploma from an institution recognized in Kenya;
- b) Has a distinguished career in a medium level management position in either the private or public sector;
- c) Holds at least five years' post qualification professional experience; and
- d) Satisfies the requirements of Chapter Six of the Constitution;
- e) Is ordinarily resident or has a permanent dwelling in the municipality; and
- f) Carries on business in the municipality or has lived in the municipality for at least five years.
- g) A person shall not be appointed as a member of the Board if that person:-
 - o Is an undischarged bankrupt;
 - o Has been removed from office for contravening the Constitution or any other law;
 - o Is not a citizen of Kenya; or
 - o Has in the conduct of his or her affairs not met any statutory obligations

Removal of the Members of the Board of Municipality

A member of the Board of the Municipality shall cease to hold office if the member:

- a) is unable to perform the functions of the office by reason of mental or physical infirmity;
- b) is declared or becomes bankrupt or insolvent;
- c) is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- d) resigns in writing to the County Governor;
- e) without reasonable cause, the member is absent from three consecutive meetings of the Board or Committee of the Board of the Municipality within one financial year;

- f) is found guilty of professional misconduct by the relevant professional body;
- g) is disqualified from holding a public office under the Constitution;
- h) fails to declare his or her interest in any matter being considered or to be considered by the Board or Board Committees;
- i) engages in any gross misconduct; or
- j) dies.

Orientation of Municipal board

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

Responsibilities of the Board

The committee always act in the best interest of the Elwak Municipality in a manner based on the principles of transparency, integrity, efficiency, effectiveness and accountability so as to achieve prosperity for Elwak Municipality 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

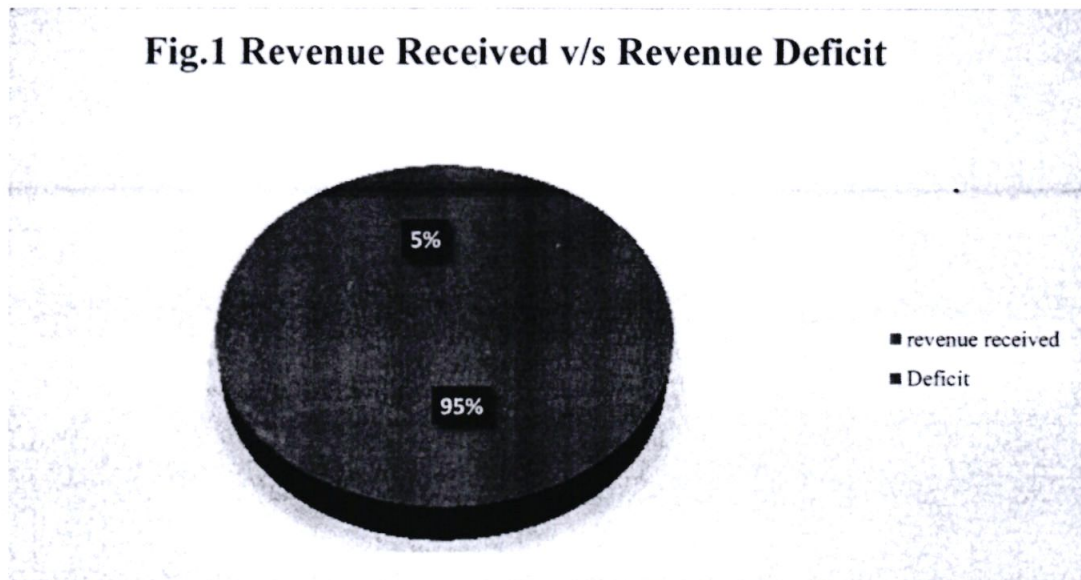
a) Operational and financial performance of the Municipality

Elwak Municipality has been in existence since 2020 and has been performing its functions as per the Municipal Charter. During the financial year 2023/2024, Elwak Municipality had an approved budget of Kenyan Shillings One Hundred Thirteen Million Six Hundred forty one Thousand three Hundred forty three (Kshs. 113,641,343). The County Treasury disbursed funds to Elwak Municipality on quarterly basis and at the end of the period under review, Elwak Municipality had received Kenyan Shillings One Hundred Seven Million Five Hundred Thousand (Kshs. 107,500,000) out of its budgeted revenue. This represents a performance of 95% of the approved allocation.

However the Municipality received the remaining Kenyan Shillings six million one hundred forty one thousand three hundred forty three (Kshs. 6,141,343) after the closure of the books on 2nd July 2024, thus accounted for as receivables as at 30th June 2024.

Thus the Municipality have not received an amount of Kenyan shillings Twenty Two Million Seven Hundred Twenty Six Thousand Eight Hundred Eighty (Kshs. 22,726,880) which relates to the pending bill for the period.

Fig.1 Revenue Received v/s Revenue Deficit



As indicated in the figure above, Elwak Municipality experienced a budget deficit of Kshs. 6,141, 343 which made up 5% of the actual allocation.

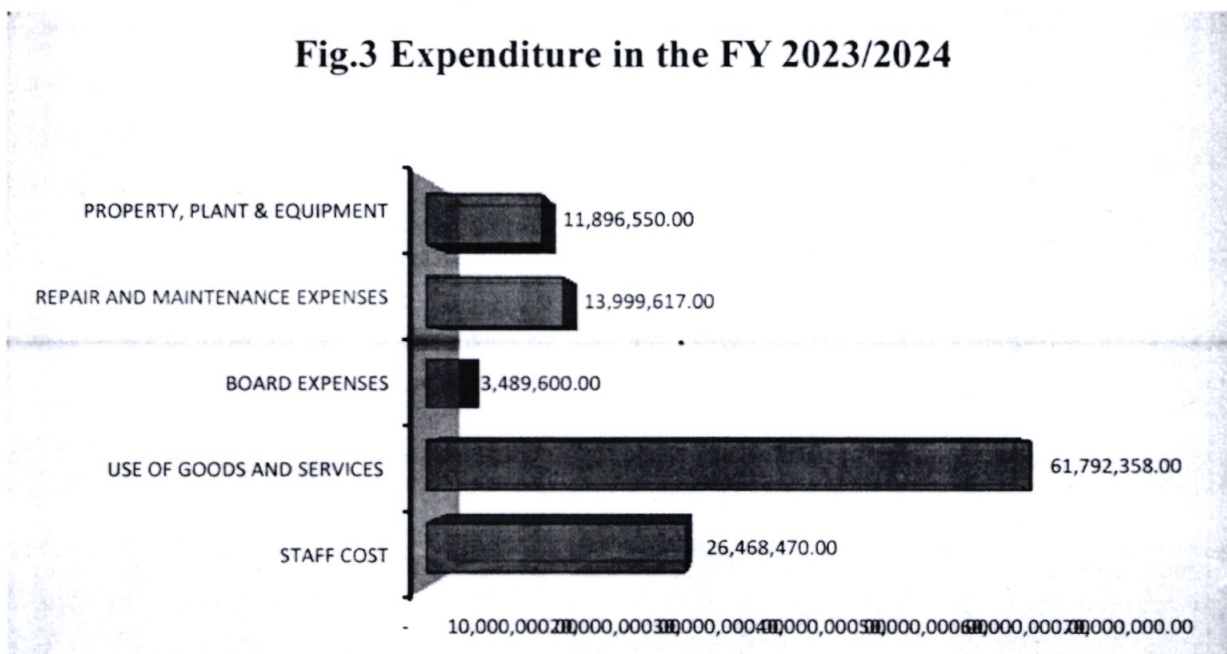
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Further, the budgeted allocation of Kenyan Shillings One hundred thirty million two hundred twenty six thousand Eight hundred eighty (Kshs.113,641,343) was an increase from Kenyan Shillings Ninety Seven Million (Kshs. 97,000,000) that was allocated to Elwak Municipality in the financial year 2022/2023.

Of the amount received during this year the Municipality paid the previous year liability amounting to Kenyan Shillings Eleven Million six hundred fifty three thousand Seven hundred twenty six (Kshs.11,653,726) thus reducing the previous liability to Kenyan Shillings Nine million Eight hundred sixty nine thousand five hundred eighty four (Kshs. 9,869,584). However the municipality has incurred new liability during the year under review of Kenyan Shillings Twenty million six hundred nineteen thousand and ninety (20,619,090) thus increasing the accumulated liability to Kenyan shillings twenty two million seven hundred twenty six thousand eight hundred and eighty (Kshs. 30,488,674).

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

Fig.3 Expenditure in the FY 2023/2024



As highlighted in the figure, the Municipality’s expenditure comprised of 22.5% incurred on staff costs, 52.5% on use of goods and services, 3% on board expenses, 12% Repair and maintenance as well as 10% on property, plant and equipment.

10. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

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

2. Environmental performance

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

Keeping the environment clean and green is the main focus of Elwak municipality in line with the climate change management agenda.

3. Employee welfare

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

11. 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, 2024 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, 2024 are set out on page xxi and xxii

Board Members

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

County Government of Mandera
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Auditors

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

By Order of the Board



.....
Name: Abdi Hassan Abdulla
Secretary of the Board

12. Statement of Management's Responsibilities

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

The Elwak Municipality manager is responsible for the preparation and presentation of the Elwak Municipality's financial statements, which give a true and fair view of the state of affairs of the Elwak Municipality for and as at the end of the financial year ended on June 30, 2024. 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, 2024, and the financial position as at that date.

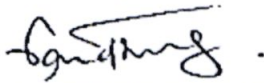
The Elwak Municipality Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control.

County Government of Mandera
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Annual Report and Financial Statements for the year ended June 30, 2024

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern. Nothing has come to the attention of the Elwak Municipality Manager to indicate that Elwak Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Elwak Municipal's financial statements were approved by the Board on 25/09/2024 and signed on its behalf by:



.....

Name: Said Ibrahim Hassan
Chairperson of the Board

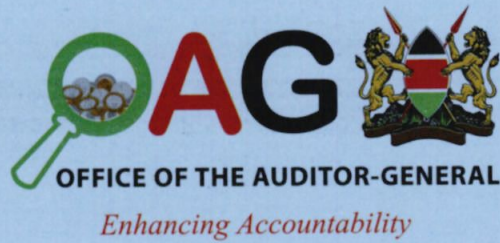


.....

Name: Abdi Hassan Abdulla
Accounting officer of the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF ELWAK FOR THE YEAR ENDED 30 JUNE, 2024

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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report 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

Opinion

I have audited the accompanying financial statements of Municipality of Elwak set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of

cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Municipality of Elwak as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actual revenue on comparable basis of Kshs.113,641,343 and Kshs.107,500,000 respectively, resulting to budget under funding of Kshs.6,141,343 or 5% of the budget. Similarly, the Municipality incurred expenditure of Kshs.108,514,135 against actual revenue of Kshs.107,500,000, resulting in an over expenditure of Kshs.1,014,135.

This shortfall resulted in the Municipality operating well below its approved budget, potentially affecting its ability to deliver services effectively.

2. Over Reliance on Funding from County Government

Review of the statement of financial performance revealed that Municipality of Elwak was financed solely through receipts allocated by the County Government of Mandera. The Municipality did not generate its own revenue from sources provided under Section 172(a) of the Public Finance Management Act, 2012 which include rates, fees, levies, charges and other revenue raising measures.

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

My opinion is not modified in respect of these matters

Key Audit Matters

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

Other Information

The Management is responsible for the other information set out on page iv to xxviii which comprise of Key Entity Information and Management, the Municipality Board, Management Team, Municipality Board Chairpersons Report, Report of the Municipality Manager, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board, Statement of Managements Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion, 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. Ineffective Management of Pending Accounts Payables

The statement of financial position for the year ended 30 June, 2023 and Note 16 to the financial statement reflects trade and other payables balance of Kshs.30,488,674. Management provided a creditors' ledger showing movement of payables from Kshs.21,523,310 reported in the previous year to Kshs.30,488,674 in the year under review. However, an aging analysis provided for audit disclosed Kshs.9,869,584 for the pending bills outstanding for more than one (1) year. Management has not provided an explanation on why pending bills did not form a first charge on the subsequent year's payment as required under Section 50 (2) of the Public Finance Management Act, 2015

states that expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible accounting officer.

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

2. Delayed Transfer of Functions to the Municipality

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

In the circumstances, the service delivery by the Municipality Management to the residents was not effective.

The audit was conducted in accordance with ISSAIs 3000 and 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Establish Audit Committee

Records obtained in respect to 2023/2024 financial year revealed that Elwak Municipality failed to establish an audit committee. The audit committee performs various roles which include; understanding and assessing the overall risks of the municipality, reviewing the adequacy of internal controls that management has put in place regarding financial management controls, accounting systems, reporting and reviewing the Municipality's compliance with relevant legislation and statutory requirements and conducting a follow up on the implementation of the recommendations of internal and external auditors.

Under the circumstances, the management lacks the checks that enhance good governance through assessed internal controls.

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

Responsibilities of the Management and the Board of the Municipality

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

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 December, 2024

*Elwak Municipality
County Government of Mandera
Annual Report and Financial Statements for the year ended June 30, 2024*

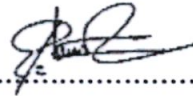
14. Statement of Financial Performance for The Year Ended 30 June 2024.

Revenue from non-exchange transactions			
Transfers from the County Government	6	101,744,793	92,072,863
Total revenue		101,744,793	92,072,863
Expenditure			
Use of goods and services	7	61,630,260	62,190,217
Staff costs	8	26,468,470	29,881,320
Board expenses	9	3,489,600	0
Depreciation and amortization	10	6,157,841	2,462,730
Repairs and maintenance	11	13,999,617	0
Total expenses		111,745,788	94,534,267
Surplus/(deficit) for the period		(10,000,995)	(2,461,404)

The notes set out on pages 20 to 23 form an integral part of these Financial Statements. Elwak Municipality financial statements were approved on 25/09/2024 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, 2024

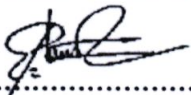
15. Statement of Financial Position as At 30 June 2024

Statement of Financial Position as At 30 June 2024			
Assets			
Current assets			
Cash and cash equivalents	12	5,337	2,230
Receivables from non-exchange transactions	13	26,642,413	21,523,310
Inventories	14	164,050	164,050
Total current assets		26,811,800	21,689,590
Non-current assets			
Property, plant, and equipment	15	34,328,116	28,589,407
Total Non-current Assets		34,328,116	28,589,407
Total assets (A)		61,139,916	50,278,997
Liabilities			
Current liabilities			
Trade and other payables	16	30,488,674	21,523,310
Total current liabilities		30,488,674	21,523,310
Non-current liabilities			
Total liabilities (B)		30,488,674	21,523,310
Net Assets (A-B)		30,651,242	28,755,687
Represented by:			
Capital/Development Grants/Fund		40,823,687	31,217,091
Accumulated surplus		(10,172,445)	(2,461,404)
Net Assets/Equity		30,651,242	28,755,687

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Elwak Municipality financial statements were approved on 25/09/2024 and signed by:

.....


Name: Abdi Hassan Abdulla
Elwak Municipality Manager
Date: 25/09/2024

.....


Name: Adan Mohamed Dahir
Head of Finance
ICPAK M/No 24367
Date: 25/09/2024

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16. Statement of Changes in Net Assets for the Year Ended 30 June 2024

Description	Capital Development Grants Fund	Revaluation Reserve	Accumulated Surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
Bal as at 1 July 2022	19,000,000	0	2,289,954	21,289,954
Surplus/(deficit) for the year	-	-	(2,461,404)	(2,461,404)
Funds received during the year	9,927,137	-	-	9,927,137
Revaluation gain/loss	-	-	-	-
Bal as at 30 Jun 2023	28,927,137	0	(171,450)	28,755,687
Bal as at 1 July 2023	28,927,137	0	(171,450)	28,755,687
Surplus/(deficit) for the year	-	-	(10,000,995)	(10,163,093)
Funds received during the year	11,896,550	-	-	11,896,550
Revaluation gain/loss	-	0	-	0
Balance as at 30 June 2024	40,823,687	0	(10,172,445)	30,651,242

*Elwak Municipality
County Government of Mandera
Annual Report and Financial Statements for the year ended June 30, 2024*

17. Statement of Cash Flows for The Year Ended 30 June 2024

Cash flows from operating activities			
Receipts			
Transfers from the County Government		107,500,000	102,000,000
Total Receipts		107,500,000	102,000,000
Payments			
Use of goods and services		58,237,713	62,190,217
Staff costs		22,326,630	29,881,320
Board expenses		2,305,450	0
Repair and maintenance		13,747,792	
Total Payments		(96,617,585)	(92,071,537)
Net cash flows from operating activities		10,882,415	9,928,463
Cash flows from investing activities			
Purchase of PPE & intangible assets		(10,879,308)	(9,927,137)
Proceeds from sale of PPE		0	0
Net cash flows used in investing activities		(10,879,308)	(9,927,137)
Cash flows from financing activities			
Receipts from Capital grants		0	0
Proceeds from borrowings		0	0
Repayment of borrowings		(0)	(0)
Net cash flows used in financing activities		(0)	(0)
Net increase/(decrease) in cash & cash equivalents		3,107	1,326
Cash And Cash Equivalents At 1 July	12	2,230	904
Cash And Cash Equivalents At 30 June	12	5,337	2,230

PSASB has now prescribed the direct method of cash flow presentation for all entities under the IPSAS Accrual basis of accounting

*Elwak Municipality
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18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2024

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	B	c=(a+b)	D	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	113,641,343	(0)	113,641,343	107,500,000	6,141,343	95%
Total Revenue	113,641,343	0	113,641,343	107,500,000	6,141,343	95%
Expenses						
Use of goods and services	58,929,763	(0)	58,929,763	58,237,713	692,050	98.8%
Board expenses	2,489,600	(0)	2,489,600	2,305,450	184,150	92.6%
Staff Costs	26,425,430	(0)	26,425,430	22,326,630	4,098,800	84.5%
Repair and maintenance	13,900,000	(0)	13,900,000	13,747,792	152,208	99.0%
Total Expenditure	101,744,793	(0)	101,744,793	96,617,585	5,127,208	95.0%
Surplus for the period	11,896,550	0	11,896,550	10,882,415	1,014,135	
Capital Expenditure	11,896,550	(0)	11,896,550	11,896,550	0	100%

Budget notes

19. 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 Elwak Municipality's principal activity is.

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

2. Statement of Compliance and Basis of Preparation

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

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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 Elwak Municipality.

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

3. Application of New and revised standards (IPSAS)

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

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

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

<p>IPSAS 43: Leases</p>	<p>Applicable 1st January 2025 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 cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025 The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p>Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p>Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.

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	<p>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</p> <p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2023/24 was approved by the Municipal Board. Subsequent revisions or additional appropriations were not made to the approved budget.

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

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

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

c) Property, plant and equipment

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

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. Elwak Municipality does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Elwak Municipality's financial statements.

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

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.

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 needs of society as a whole. The entity recognises a social benefit as an expense for the social benefits scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

i) Contingent liabilities

The 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.

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 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.

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.

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

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(b) Those that are indicative of conditions that arose 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.

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Notes to the Financial Statements

6. Transfers from the County Government

Description		
Transfers from County Govt. – Recurrent	101,744,793	92,072,863
Unconditional development grants	0	0
Total	101,744,793	92,072,863

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund Kshs	Total grant income during the year Kshs	BY 2022/2023 Kshs
Mandera County Treasury	101,744,793	0	11,896,550	113,641,343	102,000,000
Total	101,744,793	0	11,896,550	113,641,343	102,000,000

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7. Use of Goods and Services

Utilities, supplies and services	216,931	180,828
Domestic travel and subsistence	3,966,200	1,203,761
Printing, advertising, supplies & services	7,590,000	3,265,670
Training expenses	1,080,264	0
Hospitality supplies and services	2,358,620	2,464,000
Specialized materials and services	10,910,000	4,000,000
Office and general supplies and services	10,665,517	8,473,737
Other operating expenses (<i>Specify</i>)	9,155,000	4,002,359
Routine maintenance – other assets	480,000	14,779,309
Contracted Professional Services	2,007,000	0
Hire of Transport, equipment etc	13,189,000	23,820,553
Bank Charges	11,728	0
Total	61,630,260	62,190,217

8. Staff costs

Description		
Salaries and wages	24,319,560	26,565,220
National Social security contribution	1,040,160	2,120,000
National Health insurance fund	1,108,750	1,196,100
Total	26,468,470	29,881,320

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9. Board expenses

Sitting allowances	652,000	0
Induction and Training	1,037,600	0
Travel and accommodation	0	0
Conference Costs	1,800,000	0
Total	3,489,600	0

10. Depreciation and amortization

Description	2023	2024
	KSs	KSs
Property, plant and equipment	6,157,841	2,462,730
Intangible assets	0	0
Investment property carried at cost	0	0
Total depreciation and amortization	6,157,841	2,462,730

11. Repairs and Maintenance

Description	FY 2023/2024	
	Kshs	
Property- Buildings	1,200,000	0
Maintenance of civil works	12,799,617	0
Total repairs and maintenance	13,999,617	0

12. Cash and cash equivalents

Description	FY 2023/2024	
	Kshs	
Current account	5,337	2,230
Total cash and cash equivalents	5,337	2,230

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

Financial Institution	Account number	FY 2023/2024	
		Kshs	
a) Current account			
Equity Bank		5,337	2,230
Total		5,337	2,230

13. Receivables from Non-Exchange transaction

Description	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
Transfer from County Executive	26,642,413		21,523,310	
Total	26,642,413		21,523,310	

Ageing analysis for Receivables from non-exchange transactions

Description	FY 2023/2024		FY 2022/2023	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	6,141,343	23.0%	21,523,310	100%
Between 1- 2 years	20,501,070	77.0%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	26,642,413	100%	21,523,310	100%

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14. Inventories

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

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15. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (Civil works)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 1 July 2022 (previous year)	0	0	0	6,000,000	1,500,000	14,500,000	0	22,000,000
Additions	0	0	0	3,000,000	2,974,137	3,953,000	0	9,927,137
Disposals	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfers/adjustments	(0)	-	0	0	(0)	(0)	0	(0)
As at 30th June 2023	0	0	0	9,000,000	4,474,137	18,453,000	0	31,177,137
Additions for the year	0	0	0	0	0	11,896,550	0	11,896,550
Disposals for the year	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Transfer/adjustments	(0)	-	0	0	(0)	(0)	0	(0)
As at 30th June 2024 (current year)	0	0	0	9,000,000	4,474,137	30,349,550	0	43,823,687
Depreciation and impairment								
At 1 July 2022 (previous year)		-	(0)	375,000	500,000	(0)	(0)	875,000
Depreciation		0	0	1,078,125	1,074,605	310,000	0	2,462,730
Impairment		-	(0)	-	-	(0)	-	(0)
Transfers/ Adjustments		-	(0)	(0)	0	(0)	(0)	0

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Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other assets (Civil works)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
As at 30 June 2023		0	0	1,453,125	1,574,605	310,000	0	3,337,730
Depreciation for the year		0	0	1,125,000	1,342,241	3,690,600	0	6,157,841
Disposals for the year		(0)	(0)	(0)	-	(0)	(0)	(0)
Impairment for the year		-	(0)	0	-	(0)	-	(0)
Transfer/adjustment		-	(0)	(0)	0	(0)	(0)	0
As at 30th June 2024 (current year)		0	0	2,578,125	2,916,846	4,000,600	0	9,495,571
NBV as at 30th Jun 2023 (previous year)	0	0	0	7,546,875	2,899,532	18,143,000	0	28,589,407
NBV as at 30th Jun 2024 (current year)	0	0	0	6,421,875	1,557,291	26,348,950	0	34,328,116

16. Trade and other payables

Description				
Trade payables	30,488,674		21,523,310	
Other payables (<i>Specify</i>)	0		0	
Total trade and other payables	30,488,674		21,523,310	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	20,619,090	56.6%	21,523,310	100%
1-2 years	9,869,584	43.4%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	30,488,674	100%	21,523,310	100%

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17. Cash generated from operations

Description		
Surplus/ (deficit) for the year before tax	(10,163,093)	(2,461,404)
Adjusted for:		
Depreciation	6,157,841	2,462,730
Amortisation	0	0
Gains/ losses on disposal of assets	(0)	(0)
Working Capital adjustments		
Increase in inventory	(0)	(0)
Increase in receivables	(4,957,005)	(21,523,310)
Increase in payables	8,965,364	21,523,310
Net cash flow from operating activities	3,107	1,326

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18. 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/scheme is related to the following entities:

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

b) Related party transactions

Description	FY 2023/2024 Kshs.	FY 2022/2023 Kshs.
Transfers from related parties'	107,500,000	80,476,690
Transfers to related parties	0	0

c) Key management remuneration

Description	FY 2023/2024 Kshs.	FY 2022/2023 Kshs.
Board Members – Training and Allowances	1,689,600	154,000
Key Management Compensation	0	0
Total	1,689,600	154,000

d) Due from related parties

Description	FY 2023/2024 Kshs.	FY 2022/2023 Kshs.
Due from County Government	26,480,315	21,523,310
Total	26,480,315	21,523,310

19. Financial risk management

The Elwak Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Elwak Municipality's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Elwak 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 Elwak Municipality's financial risk management objectives and policies are detailed below:

I. Credit risk

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

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

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

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

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The table below represents cash flows payable by the Elwak 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 Elwak 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 Elwak 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 Elwak 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 Elwak Municipality's exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

The Elwak Municipality has no 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 Elwak 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.

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

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 as set out in the guidelines on Asset and liability management in the public sector of March 2020.

- Buildings – Permanent - 2%
Semi-permanent – 5%
Temporary – 10%
- Furniture, plant and Equipment 12.5%
- Motor vehicle 25%
- Computers and devices 33 1/3 %
- Road infrastructure – gravel – 20%

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe
1	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.	The other assets were mainly acquired in the previous financial year and has being disclosed then	Not resolved	July 2025
2	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.	The depreciation policy applied is stated in the financial report, attached find the extract of the financial report. The municipality used the guidelines on asset and liability management in the public sector of March 2020	Not resolved	July 2025

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3	<p>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.</p> <p>In the circumstances, the accuracy of the financial statements could not be confirmed</p>	<p>In the statement of financial position the amount reflect an accumulated capital development Grant/Fund and a negative Accumulated Surplus 2,461,404</p> <p>The statement of changes in Net asset reflects the separate year amounts in different columns for Capital development grants/Fund but the surplus amount is the same for both as per IPSAS Template.</p>	Not resolved	July 2025
4	<p>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</p>	<p>The routine maintenance consist of digging of holes for tree planting, bush clearing and fencing of the trees. Some of the assets were handed over from the County government and is awaiting valuation to be taken into the account. Which are maintenance of civil works</p>	Not resolved	July 2025
5	<p>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.</p> <p>In the circumstances, the accuracy of hire of transport equipment expenditure of Kshs.23,820,553 could not be</p>	<p>The documents have being availed for audit review</p> <p>The hire of transport was not budgeted for in 2019/2020 since the Municipality wasn't in existence. The Municipality was formed through gazette notice On 15th may 2020 and operationalized in October 2020. Since the Municipality was at its operationalization the Municipality had budget constraint thus it was not budgeted and had a help from the County Government in Garbage collection</p>	Not resolved	July 2025

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	confirmed.			
6	<p>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.</p> <p>In the circumstances, the Management was in breach of the law.</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 effort in the subsequent years to abide by the set down deadlines to avoid penalties and interrupted services to its employees.</p>		July 2025
7	<p>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.</p> <p>In the circumstances, the Management was in breach of the law.</p>	<p>Elwak Municipality has draft integrated development plan that's awaiting the approval, However the Municipality being an entity of the County government uses the county government integrated development plan 2017-2022.</p> <p>The municipality team were also involved in the preparation of the 2023-2028 integrated development plan for the county. Therefore the Municipality used the County government development plan.</p>	Not resolved	July 2025
8	<p>The statement of financial position and as disclosed in Note 12 to the financial statements reflects inventories balance of</p>	<p>The municipality carried out both the quarterly and annual inventory stock</p>	Not resolved	July 2025

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	<p>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.</p> <p>In the circumstances, it was not possible to confirm existence of effective internal controls on inventory management.</p>	taking		
9	<p>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.</p> <p>In the circumstance, it was not possible to confirm existence of effective internal controls, risk management and governance structures in the Municipality.</p>	<p>Elwak municipality being a new entity is in its formation and operationalization stage, the municipality rely on the county government internal audit department for internal control purposes. The Municipality board have established audit, Governance and Risk committee that's tasked with risk assessment, mitigation and internal control system, the committee guides and act as an oversight for the Municipality.</p> <p>Elwak Municipality will put in place a working internal audit unit in the subsequent financial year.</p>	Not resolved	July 2025
10	<p>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.</p>	<p>It's true that Elwak Municipality lacks information technology internal controls, however the municipality is in the process of establishing information technology internal control systems.</p>	Not resolved	July 2025

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	<p>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.</p>			
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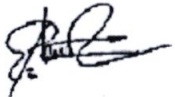
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Abdi Hassan Abdulla

Manager - Elwak Municipality

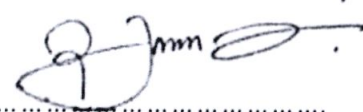
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Appendix 2: Inter-Entity Transfers

ELWAK MUNICIPALITY NAME				
Breakdown of Transfers from the County Government of Mandera County				
	FY 2023/2024			
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		13/9/2023	15,000,000	FY 2023/2024
		13/10/2023	17,800,000	FY 2023/2024
		17/11/2023	25,000,000	FY 2023/2024
		31/1/2024	19,700,000	FY 2023/2024
		9/5/2024	20,000,000	FY 2023/2024
		13/6/2024	10,000,000	FY 2023/2024
		2/7/2024	6,141,343	FY 2023/2024
		Total	113,641,343	



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CPA Adan Mohamed Dahir
Elwak Municipality - Finance Manager



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CPA Hassan Abdow Mohamed
Mandera County - Director Accounting services