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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT

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THE AUDITOR-GENERAL

ON

MUNICIPALITY OF GARISSA

FOR THE YEAR ENDED 30 JUNE, 2026

COUNTY GOVERNMENT OF GARISSA

OFFICE OF THE AUDITOR - GENERAL
GARISSA REGIONAL OFFICE
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COUNTY GOVERNMENT OF GARISSA

MUNICIPALITY OF GARISSA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2026

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
KShs	Kenya Shillings
PPE	Property, Plant and Equipment
OAG	Office of the Auditor-General
CRF	County Revenue Fund
UDG	Urban Development Grant
FY	Financial Year
OSHA	Occupational Safety and Health Act

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.
Comparative Year – means the prior period.

2. Who We Are

a) Background information

Municipality of Garissa is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 (amended 2019) and Municipal Charter on 4th July 2018. The Municipality is under the County Government of Garissa and is domiciled in Kenya.

b) Principal Activities

Our Vision

A Prosperous and people-centred Municipality in Kenya.

Our Mission

To deliver exceptional services and promote a high quality of life for residents, visitors and businesses.

The principal activities of the Municipality are as follows:

a) Promotion, regulation and provision of refuse collection and solid waste management services;
b) Promotion and provision of water and sanitation services and infrastructure within the Municipality and the establishment of Garissa water and sewerage company (GAWASCO).
c) Construction and maintenance of urban roads and associated infrastructure;
d) Construction and maintenance of storm drainage and flood controls;
e) Construction and maintenance of walkways and other non-motorized transport infrastructure;
f) Construction and maintenance of recreational parks and green spaces;
g) Construction and maintenance of street lighting;
h) Construction, maintenance and regulation of traffic controls and parking facilities;
i) Construction and maintenance of bus stands and taxi stands;
j) Regulation of outdoor advertising;
k) Construction, maintenance and regulation of Municipal infrastructure, markets and abattoirs;
l) Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management;
m) Promotion, regulation and provision of Municipal sports and cultural activities;
n) Promotion, regulation and provision of animal control and welfare;
o) Development and enforcement of Municipal plans and development controls;
p) Municipal administration services (including construction and maintenance of administrative offices);
(q) Promoting and undertaking infrastructural development and services within Municipality.

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2026 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	Municipality Manager	Mohamed H. Osman
2	Director of Administration	Moulid M. Muhumed
3	Head of sanitation	Suada H. Shafat
4	Head of Account	Abdullatif Abdi Shakul
5	HoD- Human resources management	Abdi Muhumed Aden
6	HOD Procurement	Abdiaziz Rashid Kulmie

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

ii) County Assembly committees

iii) Committees of the Senate

f) Audit and Assurance

g) Garissa Municipality applies a combined assurance approach comprising management reviews, internal audit assessments and external audit by the Office of the Auditor-General. The Board and management are responsible for compliance with applicable laws, regulations and governance requirements.

h) Registered Offices

P.O. Box 563-70100

Garissa, KENYA

i) Contacts

Telephone: +254722800293

E-mail: info@Garissa.go.ke

Website: www.Garissa.go.ke

j) Bankers

Kenya Commercial Bank

P.O. Box 143-70100

Garissa, Kenya

k) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

l) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	 ABDI ABDIRAHMAN ABDULLAHI CHAIRMAN	I hold a Bachelor's degree in Business Management with a specialization in Procurement from Garissa University (2017-2021) and have completed diplomas and certificates in Supplies Management from NEP Technical Training Institute. My career began as a Sales Manager at Atlantiscom Telecommunications, where I excelled in achieving sales targets and building customer relationships. I later worked as a Registration Clerk and Polling Clerk with the IEBC before advancing to the role of Procurement Assistant and then Procurement Officer at the Semi Arid Health Initiative and Semi Arid Resilience Network, respectively. My skills include financial and supplies management, proficiency in Microsoft Office and QuickBooks, and fluency in English, Kiswahili, Somali, and Arabic. I am committed to enhancing organizational efficiency and ensuring proper management of procurement processes.
2	 FATUMA KHALIF ALI VICE CHAIR	Born in 1962 in Kenya and am a dedicated educator and community leader, currently serving as a Member of the County Assembly in Garissa. With a Bachelor's Degree in Education specializing in Early Childhood Development from Kampala University, I also hold diplomas in guidance and counselling and project planning and management. My career spans several roles, including Director of Quality Assurance and Standard, where I enhanced school effectiveness, and as a Teacher Advisory Tutor, supporting teachers'

		professional growth. My commitment to education is complemented by my involvement in various community initiatives, including serving on several school boards and volunteering for women's empowerment programs.
3	 GENYA MOHAMED ABDILE	I was born on October 5, 2002. A hardworking and self-motivated individual, I am passionate about achieving set goals and effectively utilizing organizational resources to maximize performance. I possess strong leadership abilities, excellent communication skills, and adept planning and organizing capabilities. I am fluent in English and Kiswahili. My vision is to create synergies between various stakeholders to enhance the relevance, impact, and sustainability of research and development activities, ultimately improving living conditions for displaced persons. I earned a Diploma in Human Resource Management from Umma University (2021-2022) and a Secondary Certificate from Al-Falah Secondary School (2017-2020). Currently, I serve as a Human Resources Officer at the Ministry of Gender, Family Affairs, and Human Rights in Garissa, a position I have held since January 2022.
4.	 ABDI SALAT HUSSEIN	I was born in 1969 and have dedicated my life to education and community service. My journey began at Garissa Primary School, followed by Garissa High School, where I developed a strong interest in the arts and social sciences. This passion led me to pursue a Bachelor's degree in Arts at Mount Kenya University (MKU). Throughout my career, I have applied my knowledge and experience to support community initiatives, focusing on cultural and social development. I continue to contribute actively to my community, driven by a commitment to lifelong learning and positive impact.

5.	 CPA ADEN MUSA MOHAMUD	I was born on October 10, 1989, in Kenya and currently reside in Garissa. I am a fully qualified and dynamic professional specializing in financial management, auditing, and community outreach, aiming to contribute to institutional development and decision-making processes. I hold a PhD in Finance (ongoing) from Dedan Kimathi University, an MBA in Finance from Moi University, and a Bachelor's degree in Community Development. My professional journey includes roles such as Ag. Head of Finance at Garissa University and various accounting positions within the institution, where I've developed skills in financial reporting, budgeting, and donor fund management. With certifications in CPA and senior management, I am proficient in various accounting software and fluent in Kiswahili, English, and Somali. My personal attributes include honesty, creativity, and a strong ability to work collaboratively across cultures. In my free time, I enjoy playing football, reading, and traveling.
6.	 FAHMI AHMED ABUBAKAR BAJWED	I was born on May 16, 1977, and am a Kenyan national dedicated to personal and professional growth. My career began as a salesman at Bajwed Auto Spare and Hardware, where I honed my customer service skills from 2001 to 2008. Since 2009, I have served as the General Manager at Bajwed General Merchant Ltd, overseeing daily operations, strategic planning, and employee development. I hold a Diploma in Business Management from the Technical University of Mombasa and have completed my primary and secondary education in Garissa. I am fluent in English and Kiswahili, and my personal skills include attention to detail, time management, and strong organizational abilities. Driven by a vision to be an excellent and progressive professional, I am committed to making a positive impact in my community,

		particularly by assisting disadvantaged individuals. My hobbies include reading scientific materials, interacting with friends, and traveling.
7.	 OMAR ABDI GARANE	Born in 1968 in Garissa, Kenya, I dedicated my career to public service and community development. After completing my primary and secondary education, I earned a Diploma in Accountancy from the Technical University of Mombasa in 1994. I began working with the Garissa Municipal Council as a Revenue Clerk, advancing through various roles such as License Officer, Revenue Officer, Accountant, and Cashier, focusing on revenue management, reporting, and staff supervision. I have also served as Vice Chairman of the Garissa District Peace and Development Group and as Team Leader for Champions for Change, continuing my commitment to Garissa's welfare. Married and fluent in English, Kiswahili, and Somali, I am dedicated to Garissa's financial integrity and community growth.
8.	 MOHAMED HUSSEIN MOHAMDED	Born in 1980, he holds a Bachelor of Commerce degree from Egerton University and brings several years of diverse professional experience. He served as Director of Administration and Coordination in the Office of the Deputy Governor of Garissa County from 2014 to 2022, where he played a pivotal role in managing key administrative functions. Prior to this, from 2011 to 2014, he worked with the Kenya National Farmers Federation (KENAFF) as the Garissa County Coordinator and Acting Regional Coordinator for North Eastern Province, supporting agricultural development initiatives. Currently, he serves as the Executive Committee Member (CECM) in charge of Lands, Housing, and Urban Development in Garissa County, while also sitting on the Garissa County Municipalities Board. His extensive expertise in both governance and regional development underscores his commitment to public service and community growth.

9.	 FARHIYA ISMAIL OMAR	Born in 1992, she holds a Bachelor's degree in Business Management and has amassed over 10 years of experience in management. Her career reflects a steady progression of leadership and expertise in urban planning and governance. Currently, she serves as the Chief Officer of Urban Planning and is also a member of the Municipal Board, where she plays a vital role in shaping policies and overseeing urban development initiatives. Her extensive experience in management, combined with her strategic vision, makes her a key figure in driving sustainable urban growth and development in her region.

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	 Mohamed H. Osman	I was born and raised in Garissa, Kenya, where my commitment to community service and development began. Over the years, I've built a career rooted in public administration, urban planning, and business management, currently serving as Municipal Manager for Garissa County Government. With extensive experience in overseeing municipal operations—from budgeting and policy formulation to sustainable infrastructure projects—I focus on driving transparent decision-making and improving public services. I previously served as Garissa's Director of Urban Development and held roles with organizations such as Kenya Red Cross and the Ministry of Youth Affairs. My educational background includes a Bachelor's Degree in Business Management (HR) from East African University and diplomas in Business Management, Project Cycle Management, and HR. My work reflects a lifelong dedication to enhancing public service and fostering community progress.
2	 Suada H. Shafat	I was born on February 3, 1990, and am a dedicated professional in community health and development, driven by a passion for enhancing community welfare. My educational journey began at Madogashe Primary School, where I completed my Kenya Certificate of Primary Education (KCPE), followed by Nep Girls Secondary School, where I attained my Kenya Certificate of Secondary Education (KCSE). I later pursued a Diploma in Community Health Development at Community Concern in 2011-2012, enhancing my knowledge in community service. I also undertook a computer applications course at Pentagon Computer Centre to strengthen my technical skills. Fluent in Kiswahili, English, Somali, and Arabic, I bring excellent planning, organizational, and teamwork skills, with a goal to further develop my

		abilities in a challenging organization that values community growth and information management.
3.	 Moulid Mohamed	I was born in 1989 and raised in Garissa, Kenya. I hold a Bachelor's Degree in Business Management with a specialization in Marketing from Mt. Kenya University, obtained in 2014, and a Diploma in Personal Management from NENAP in 2010. My career spans 18 years across both the private and public sectors, where I have served in various managerial roles, honing skills in business strategy, team leadership, and operational management. Throughout my career, I have focused on creating impactful solutions and driving organizational growth, using my background in marketing and management to foster innovation and efficiency. My work is grounded in a commitment to excellence and a passion for building successful teams and organizations.
4.	 Abdi Muhumed Aden	Born in 1986, I am an experienced HR professional with over ten years in the field, a Bachelor's in Public Administration specializing in HR, and a CHRP certification. Currently pursuing an MBA from Kenyatta University, I've held significant roles, including Head of Human Resources for Garissa County Municipality, focusing on HR policies, payroll, and staff development. Skilled in HR planning, recruitment, and employee relations, I am fluent in English, Kiswahili, and Somali, bringing a multicultural approach to fostering positive work environments. My goal is to leverage my expertise in a senior HR role to boost productivity and support professional growth.
5.	 Abdullatif Abdi Shakul.	**Abdullatif Abdi Shakul.** Born in 1993, he holds a Bachelor of Commerce degree with a specialization in Finance. He is a Certified Public Accountant (CPA) and an esteemed member of the Institute of Certified Public Accountants of Kenya (ICPAK). With over 10 years of experience in financial management, he currently serves as the Head of Finance in the Municipality, where he plays a pivotal role in overseeing financial operations, budgeting, and fiscal planning. His expertise in finance and

		accounting, combined with his commitment to transparency and efficiency, ensures sound financial governance and supports the municipality's strategic objectives. His leadership and professional credentials position him as a key asset in driving financial integrity and sustainability within the organization.
6.	 Abdiaziz Rashid Kulmie	Born on January 15, 1990, I am a dedicated supply chain and business management professional with a solid educational foundation from the Kenya Institute of Management and a Bachelor's in Business Management from Mount Kenya University. My career began with the Kenya Red Cross, followed by a role with the Ministry of Health and Sanitation. Since 2015, I have served as a Principal Supply Chain Management Officer for the County Government of Garissa. Fluent in English, Swahili, and Somali, I am committed to continuous learning, hard work, and advancing in leadership.

5. Municipality Board Chairperson's Report

I am pleased to present the financial statements of the Municipality of Garissa for the fiscal year 2025–2026. This document outlines the vision, objectives, and strategies of the Municipal Board, detailing our commitment to fulfilling our obligations to the residents of Municipality of Garissa and Garissa County. It reflects extensive consultations with the people of Garissa and the county government of Garissa, ensuring that it is aligned with the needs and aspirations of our community.

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

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

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

The current Municipality of Garissa Board is the first urban board in Garissa County and comprises nine dedicated members.

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



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Name: Abdi Abdirahman Abdullahi

Chairperson of the Board

6. Report of the Municipality Manager

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

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

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

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

THE MANAGER/CEO
GARISSA MUNICIPALITY
P.O. BOX 70100
GARISSA

.....

Name: Mohamed Hassan Osman
Municipality Manager

7. Corporate Governance Statement

Process of Appointment and Removal of Board Members for a Municipality

Composition of the Board

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

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

Eligibility for Appointment

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

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

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

Term of Office

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

Removal of Members of the Municipal Board

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

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

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

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

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

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

Functions of the Municipal Board of the Municipality

The Board of The Municipality shall perform the following functions:

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

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

Committees of the Board of the Municipality

The Board of the Municipality may:

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

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

Remuneration of the Members of the Board of the Municipality

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

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

Meetings of the Municipal Board

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

1. **Regular Meetings**:
   The Board shall convene once every three months for regular meetings to conduct its business.
2. **Special Meetings**:
   In addition to the regular meetings, the Chairperson of the Board may call a special meeting at any time. A special meeting must also be convened if at least one-third of the members of the Board submit a written request for an urgent matter to be addressed.
3. **Public Accessibility**:
   All regular meetings of the Board, which are held to transact public business, must be open to the public when a majority of the Board members are present. This ensures transparency in the Board's decision-making process.
4. **Executive Sessions**:
   The Board is allowed to hold private executive sessions where the public is excluded. However, during these sessions, the Board is not permitted to finally adopt any by-laws, resolutions, rules, or regulations. Such decisions must be made during open, public meetings to ensure accountability and public participation.

8. Financial Performance Overview

For FY 2025/2026, Garissa Municipality recognised KShs. 28,465,975 in revenue, comprising KShs. 21,149,622 in County Government transfers and KShs. 7,316,353 in levies, fines and penalties. Total expenses were KShs. 38,204,139, resulting in a deficit of KShs. 9,738,164. The Municipality remains committed to prudent financial management, transparency and effective service delivery.

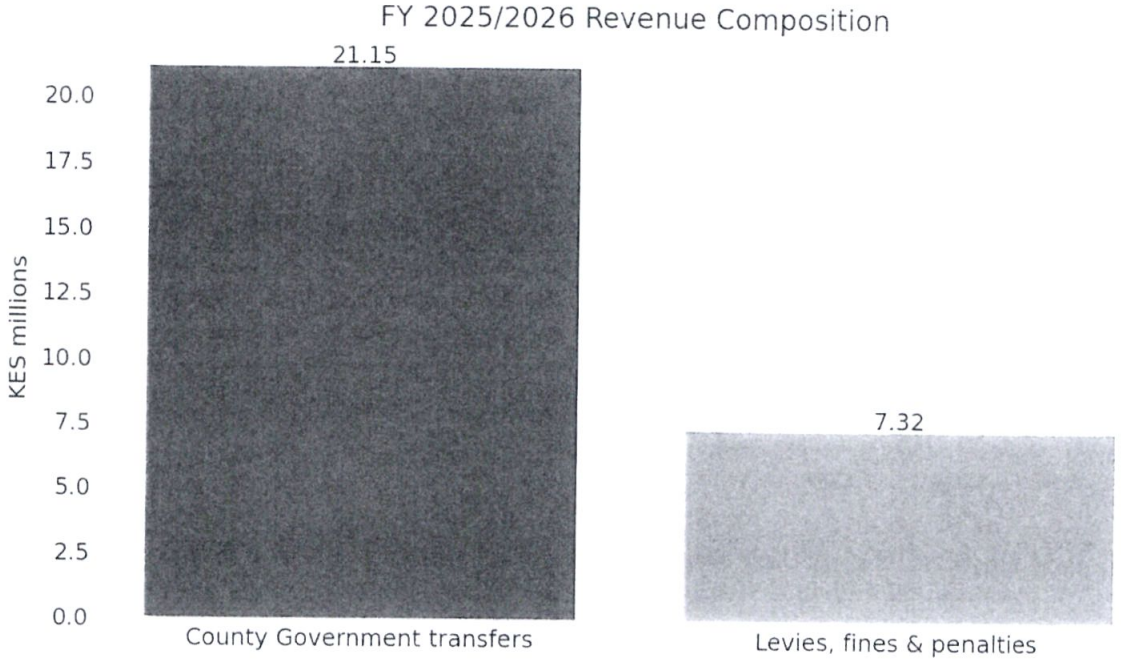

Figure 1: FY 2025/2026 Revenue Composition

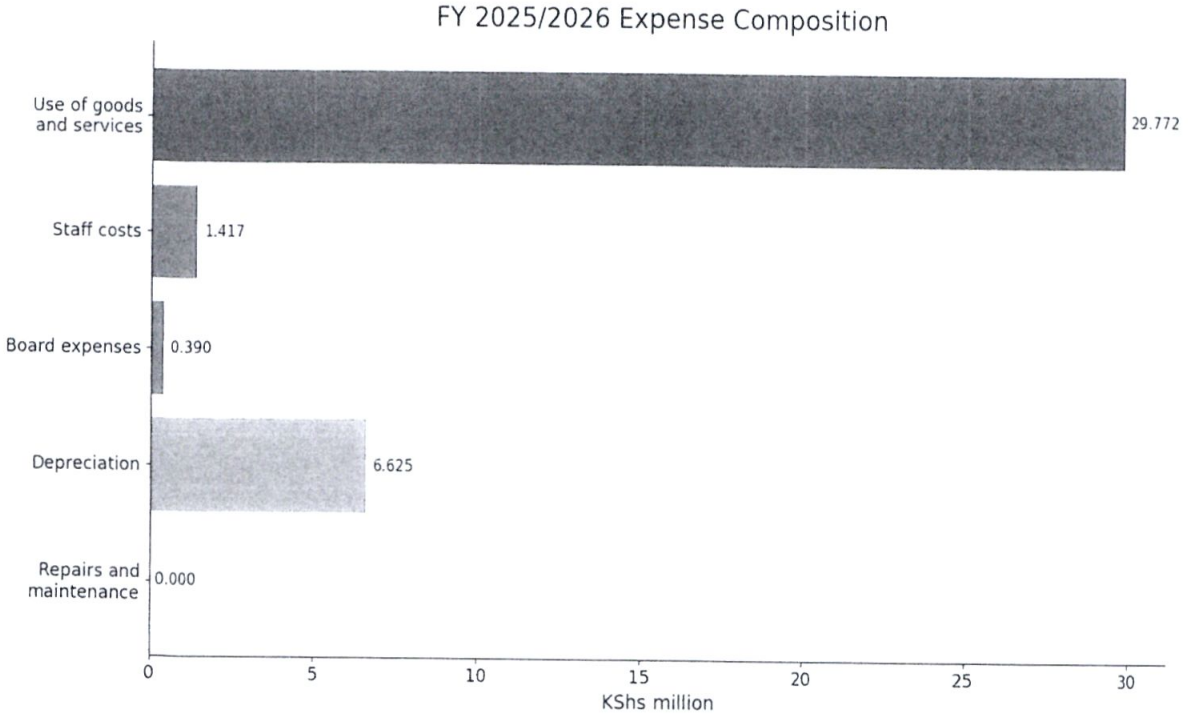

Figure 2: FY 2025/2026 Expense Composition

Compliance with statutory requirements

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

- Public Finance Management Act 2012
- Public Procurement and Asset Disposal Act, 2015.

Conclusion

We appreciate the unrelenting support from the Municipality Board, management, staff, the county government, development partners and all the key stakeholders. We look forward to continuing partnership and cooperation in areas of mutual interest in the FY 2025/2026.

9. Statement of Performance Against Predetermined Objectives for the FY 2025/2026

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives. The key development objectives of the Garissa Municipality for FY 2025/2026 plan are to:

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

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

10. Environmental And Sustainability Reporting

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

I) Environmental Policy Guiding Garissa Municipality

The Municipality relies on various national and county laws and policies to ensure effective environmental management in all aspects of its operations. Key policies and regulations include:

- **Environment Management and Coordination Act (EMCA 1999), Amended 2015**: This act serves as the overarching framework for environmental governance in Kenya, addressing various aspects of environmental management.
- **The Environmental (Impact Assessment and Audit) Regulations, 2009**: These regulations require environmental impact assessments and audits for projects that may affect the environment.
- **The Environmental Management and Coordination (Waste Management) Regulations, 2006**: Provides guidelines for proper waste management practices to ensure environmental protection.
- **The Environmental Management and Coordination (Water Quality) Regulations, 2006**: Focuses on protecting water sources from pollution and ensuring the quality of water for residents.
- **The Environmental Management and Coordination (Noise and Excessive Vibration Pollution Control) Regulations, 2009**: Regulates noise levels to minimize pollution in urban areas.
- **The Environmental Management and Coordination (Air Quality) Regulations, 2014**: Aims at controlling air pollution from various sources to safeguard public health.
- **National Environment Policy (NEP 2012)**: This policy addresses ecosystem management and sustainable natural resource use, focusing on critical ecosystems such as forests, grasslands, and arid and semi-arid lands. It also strengthens the legal and institutional framework for environmental coordination and promotes environmental management tools.
- **County Environment Action Plan (CEAP 2022-2027)**: Provides guidelines and solutions for environmental impacts specific to Garissa County, ensuring a localized approach to environmental sustainability.

II) Biodiversity Management

Achievements

Garissa Municipality has made significant strides in managing biodiversity, which is essential for maintaining healthy ecosystems and providing critical services to its residents. Key successes include:

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

Challenges
Despite these successes, the Municipality faces several challenges in biodiversity management, including:

- **Depletion of Natural Resources**: The increasing population has put pressure on natural resources, reducing their ability to support sustainable growth.
- **Scarcity of Water and Pasture**: The Municipality experiences water shortages and limited pasture for livestock, especially during dry seasons, which affects both agriculture and livestock farming.
- **Poor Land Use Practices**: Unsustainable land use has diminished soil fertility, reducing farm productivity and threatening food security.

Efforts Toward Biodiversity Management
In response to these challenges, Garissa Municipality has implemented the following measures:

- **Strict Regulations on Tree Cutting**: Laws have been enacted to prevent illegal deforestation and promote the conservation of tree cover.
- **Incentives for Reforestation and Afforestation**: The Municipality encourages residents to plant trees through various incentive programs, contributing to reforestation efforts.
- **Collaborative Efforts**: Government, private institutions, and civil society organizations are working together to enhance the ability of nature to provide critical ecosystem services. This includes efforts to restore degraded areas, conserve wildlife habitats, and promote sustainable agricultural practices.

III) Waste Management Policies

Effective waste management is critical to ensuring a healthy environment for the residents of Garissa Municipality. The following policies and strategies guide waste management:

- **National Solid Waste Management Strategy (2015)**: This strategy provides a framework for integrated solid waste management, focusing on waste minimization, recycling, and proper disposal.
- **Environmental Management and Coordination (Waste Management) Regulations of 2006**: These regulations outline the responsibilities of waste generators, collectors, and disposers to minimize the environmental impact of waste.
- **Garissa Municipality Solid Waste Management Policy (Ongoing)**: The Municipality is in the process of developing a localized waste management policy that will provide specific guidelines and strategies for managing waste within the Municipality. This policy aims to promote recycling, reduce waste generation, and ensure proper disposal of both household and industrial waste.

IV) Key Environmental Sustainability Achievements

Pillar	Achievement
Tree Cover	Increased green spaces through afforestation programs.
Solid Waste Management	Significant improvement in waste collection and disposal, reducing pollution.
Collaboration	Government, private institutions, and civil society working together on ecosystem restoration.

V) Challenges and Areas for Improvement

Challenge	Impact
Natural Resource Depletion	Reducing the Municipality's capacity to support population growth.
Water and Pasture Scarcity	Affecting livestock farming and agricultural productivity.
Unsustainable Land Use	Diminishing soil viability and threatening food security.

VI) Conclusion

Garissa Municipality remains committed to promoting sustainable environmental management, safeguarding natural resources, and improving the quality of life for its residents. By adhering to national and county environmental policies, the Municipality is working to balance urban development with environmental preservation. Ongoing efforts to manage biodiversity, address waste management, and enforce environmental laws will ensure a sustainable future for all. The Municipality will continue to collaborate with stakeholders, including government agencies, private entities, and the local community, to implement innovative environmental solutions and overcome existing challenges. Through these concerted efforts, Garissa Municipality aims to achieve long-term environmental sustainability and enhance the well-being of its residents.

11. Report of the Municipality Board Members

The Board Members submit their report together with the financial statements for the year ended June 30, 2026 which show the state of the Municipality affairs.

Principal activities

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

Performance

The financial performance of the Municipality for the year ended 30 June 2026 is set out in the Statement of Financial Performance on page 1.

Board Members

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

Auditors

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

By Order of the Board

THE MANAGER/CFO
GARISSA MUNICIPALITY
P.O. BOX [illegible] 70100
GARISSA

.....

Name: Mohamed Hassan

Secretary of the Board

12. Statement of Municipality Board Members' Responsibilities

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

The Municipal manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2026. This responsibility includes: (i)maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii)Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv)Safeguarding the assets of the Municipality, (v)Selecting and applying appropriate accounting policies, and (vi)Making accounting estimates that are reasonable in the circumstances.

The Municipal 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 Municipal Manager is of the opinion that the financial statements give a true and fair view of the state of Municipality's transactions during the financial year ended June 30, 2026, and the financial position as at that date.

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

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

Approval of the financial statements

The Municipality's financial statements were approved by the Board on 30th June 2026 and signed on its behalf by:

.....

Name: Abdi Abdirahman Abdullahi

Chairperson of the Board

THE MANAGER/CEO
GARISSA MUNICIPALITY
P.O. Box
GARISSA

.....

Name: Mohamed Hassan Osman

Accounting officer of the Board

REPUBLIC OF KENYA

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

REPUBLIC OF KENYA
OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF GARISSA FOR THE YEAR ENDED 30 JUNE, 2026 – COUNTY GOVERNMENT OF GARISSA

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, Cap.412A, and the Public Audit Act, Cap.412B. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Garissa set out on pages 1 to 53, which comprise of the statement of financial position as at 30 June, 2026, 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, Cap.412B. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Municipality of Garissa at 30 June, 2026 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, Cap.275 and the Public Finance Management Act, Cap.412A.

Basis for Qualified Opinion

1. Unsupported Revenue from Levies, Fines and Penalties

The statement of financial performance reflects revenue from levies, fines and penalties amounting to Kshs.7,316,353 as disclosed in Note 11 to the financial statements. However, the following observations were made in respect of the revenue:

1.1 Parking Fee Revenue

Included in the revenue is an amount of Kshs.1,523,976 in respect of revenue from parking fees; however, the collections were not supported by designated parking areas against which parking fee assessments and collections should be monitored and reconciled.

1.2 Revenue from Market Stalls

Included in the revenue is an amount of Kshs.841,077 in respect of revenue from market stalls. However, review of records relating to market stall fee collections revealed that although the Sixth Schedule of Garissa County Finance Act, 2025 prescribes different rates based on the category and type of stall, the Municipality did not maintain a comprehensive register identifying and classifying the individual stalls according to the prescribed categories.

1.3 Revenue from Outdoor Advertising

Included in the revenue is an amount of Kshs.4,395,700 in respect of revenue from outdoor advertising. However, Management did not provide an updated register of requests from advertisers, advertising sites, approvals, copies of invoices sent and applicable permits by the Municipality.

1.4 Revenue from Wayleave Fees for Internet Cables

The supporting schedule provided for audit review did not indicate the amount collected from wayleave for internet cables. Management did not provide an updated register of internet service providers, cable installations and routes within the

Municipality, together with corresponding wayleave approvals, agreements and applicable fees and invoices.

In the circumstances, the accuracy and completeness of revenue from levies, fines and penalties amounting to Kshs.7,316,353 could not be confirmed.

2. Lack of a Revenue Collection System

The statement of financial performance reflects receipts from levies, fines and penalties amounting to Kshs.7,316,353 as disclosed in Note 11 to the financial statements. However, review of the Municipality's revenue management and internal control revealed that the Municipality did not have an established revenue collection system for the identification, assessment, collection, recording and monitoring of own-source revenue.

Revenue collected was not supported by an integrated system capable of disclosing all revenue sources, revenue bases, methods of assessing revenue payable, amounts paid and outstanding balances.

In the circumstances, the accuracy and completeness of revenue from levies, fines and penalties amounting to Kshs.7,316,353 could not be confirmed.

3. Unsupported Property Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment net book value balance of Kshs.286,673,922 as disclosed in Note 30 to the financial statements. Included in the property, plant and equipment balance is Kshs.25,000,000 relating to land. However, the Municipality did not provide ownership documents for land to confirm the land size and ownership.

Further, the asset register maintained was incomplete and lacked key information including identification or serial numbers, acquisition date, description of asset, location, class, cost of acquisition, accumulated depreciation, net book value.

In the circumstances, the existence, ownership, completeness, valuation and accuracy of property, plant and equipment net book value balance of Kshs.286,673,922 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual of Kshs.40,000,000 and Kshs.31,465,976 respectively, resulting in an under-funding of Kshs.8,534,024 or 21% of the budget. Similarly, the Municipality

spent Kshs.32,031,803 against actual receipts of Kshs.31,465,976, resulting in an over expenditure of Kshs.565,827. Management did not provide approval for the over expenditure.

The under-funding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Non-Disclosure of Contingent Liabilities and Ownership Documentation for Dumpsite

Review of the Municipality's legal records and court cases revealed that the Municipality had been sued over ownership of the dumpsite. The matter represents a potential obligation that may result in an outflow of resources or service potential depending on the outcome of the court proceedings. However, the contingent liability arising from the case was not disclosed in the financial statements as required under IPSAS 19 on Provisions, Contingent Liabilities and Contingent Assets which requires an entity to disclose contingent liabilities unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Where a contingent liability cannot be reliably measured or its likelihood of occurrence is not sufficiently probable for recognition as a provision, the matter should, where applicable, be disclosed in the notes to the financial statements, including the nature of the contingency and an estimate of its financial effect, where practicable.

Further, the ownership documents for the dumpsite were not provided for audit verification.

In the circumstances, it was not possible to establish whether the Municipality had valid legal ownership or rights over the dumpsite and it was, therefore, not possible to determine the potential financial implications arising from the legal dispute.

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

Other Matter

Unresolved Prior Year Matters

In the 2024/2025 year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Municipality in 2025/2026 revealed that the following eleven (11) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2024/2025	Unsupported Revenue from Levies, Fines and Penalties
2	2024/2025	Unsupported Repairs and Maintenance Expenditure
3	2024/2025	Unsupported Receivables from Exchange Transactions
4	2024/2025	Unsupported Property, Plant and Equipment
5	2024/2025	Budgetary Control and Performance
6	2024/2025	Delayed Transfer of Functions to the Municipality
7	2024/2025	Non-compliance with Gender Equality
8	2024/2025	Failure to Meet Recruitment Thresholds for Persons with Disabilities
9	2024/2025	Failure to Provide the Published Finance Manual
10	2024/2025	Ineffective Internal Audit Function
11	2024/2025	Poor Controls in the Management of Imprest Register.

Other Information

Management is responsible for the Other Information set out on page iv to xxix which comprise of Who We Are, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Report of the Municipality Manager, Corporate Governance Statement, Financial Performance Overview, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting, Report of the Municipality Board Members, Statement of Municipality Board Members' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Municipality's Financial Statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the Financial Statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. Based on the audit procedures performed and the matters described in my Basis for Qualified Opinion, I confirm that other information is not materially inconsistent with the Financial Statements.

Unsupported Performance in the Statement of Performance Against Predetermined Objectives

The performances of the programs being implemented in the statement of performance against predetermined objectives were not specific, measurable, achievable, relevant and timebound. The kilometers of road network and the number of parking facilities increased within the town have not been disclosed. Further, the number of youths engaged on temporary jobs have not been disclosed.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Delayed Transfer of Functions to the Municipality

Review of the Municipality's operations indicates that various functions specified in Section 2 of the Municipal Charter are currently overseen by the County Executive of Garissa. These functions include providing water and sanitation infrastructure, establishment of municipal infrastructure, promoting infrastructural development within municipality and collecting revenue.

In the circumstances, Management of County Executive of Garissa and Municipality of Garissa were in breach of Municipal Charter.

2. Irregular Appointment and Conflicting Terms of Service for Municipal Board Members

Review of human resource records and administrative appointment documents revealed inconsistencies in the appointment and tenure of Municipal Board members. The Municipal Board members were appointed by the Governor for Garissa County through Gazette Notice No.14111 dated 23 October, 2024, with effect from 1 October, 2024, for a term of three (3) years. However, the individual appointment letters issued to the Board members provided for a term of five (5) years, thereby creating a direct conflict between the Gazette Notice and the appointment letters.

Further review established that the individual appointment letters were issued and signed on 7 October, 2024, whereas the formal appointment was subsequently gazetted on 23 October, 2024. This resulted in the appointment letters preceding the Gazette Notice by sixteen (16) days, yet the Gazette Notice was the formal instrument through which the appointments were published.

There was also inconsistency between the three-year tenure stated in the Gazette Notice and the five-year tenure provided for under the applicable legal and administrative framework. Further, Section 15 of the Urban Areas and Cities Act, Cap.275 provides for a fixed term of five (5) years for a member of a Municipal Board. Similarly, the Garissa Municipality Charter provides that members of the Municipal Board shall hold office for a term of five (5) years on a part-time basis.

In the circumstances, the appointment of Municipal Board Members was in breach of the law.

3. Non-Operational Garbage Collection Trucks

Physical inspection on the month of September, 2026 on Municipality of Garissa's motor vehicles fleet and garbage collection system revealed that the Municipality had only three (3) trucks operational for garbage collection, while six (6) trucks were grounded and unserviceable. The Municipality had not provided evidence of a clear repair, maintenance or disposal plan for the grounded trucks. This significantly constrained the Municipality's capacity to provide effective and regular solid waste management services. Garbage in most of the estates within the township area remained uncollected with no garbage bins or garbage collection points. This was contrary to Section 162 (2)(c)(i) of the Public Finance Management Act, Cap.412A which provides that every public officer shall ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property.

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

4. Non-Compliance with Gender Equality and Ethnic Distribution

Review of the staff data presented for audit revealed that the Municipality had one hundred and seventy-eight (178) employees. However, one hundred and forty-seven (147) employees representing eighty three percent (83%) were of male gender while thirty-one (31) representing seventeen percent (17%) were of female gender. This was contrary to Section 36(3)(b) of the Public Service Commission Act, Cap.185 which provides that in making appointments or promotions, the Commission or authorized officer is bound by the constitutional principles which require that no one gender constitutes more than two thirds of those appointed.

Further, Information on ethnic distribution was not provided for audit review. Therefore, adherence to regional balance as required by Section 7(1) and (2) of the National Cohesion and Integration Act, Cap.7N could not be ascertained. Management has not demonstrated any efforts currently being undertaken to address the issue which was also raised in prior year.

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

5. Failure to Meet Recruitment Thresholds for Persons with Disabilities

Review of staff records for the period under review revealed that only three (3) employees out of one hundred and seventy-eight (178) employees representing 2% were persons living with disabilities. This was contrary to Section 21(2)(a) of the Persons with Disabilities Act, Cap.133 which requires that a minimum of 5% of all casual, emergency and contractual positions be reserved for persons with disabilities in both the public and private sectors. Management has not demonstrated any efforts currently being undertaken to address the issue which was also raised in the previous year.

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

6. Ineffective Fire Preparedness and Response Capacity

During the audit, it was observed that Garissa County, which covers approximately 44,753 square kilometers, has only one fire station serving the entire County. Physical

inspection on Garissa County Fire Station carried out in the month of September, 2026 revealed that the fire station had only three firefighting vehicles, one of which had been grounded for approximately one month due to a faulty pump, implying that the County had only two functional firefighting vehicles available to respond to emergencies across the vast geographical area. This may significantly affect the timeliness and effectiveness of fire emergency response. As a result, the Municipality was in contravention of Section 162 (2)(c)(i) of the Public Finance Management Act, Cap.412A which provides that every public officer shall ensure that adequate arrangements are made for the proper use, custody, safeguarding and maintenance of public property.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, Cap.412B, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Ineffective Internal Audit Function

A review of the internal controls and governance structure at the Municipality revealed that while the Municipality rely on the County Government to second internal auditors, only one internal auditor was seconded to the entity. Further, no internal audit was conducted during the year under review.

In the circumstances, the oversight on effectiveness of internal controls, risk management and overall governance could not be confirmed.

2. Lack of Debt Management Policy

The statement of financial position reflects receivables balance of Kshs.4,601,999 as disclosed in Note 25 to the financial statements. However, review of records provided for audit revealed that the Municipality did not have a Debt Management Policy to guide the identification, assessment, monitoring, recovery and management of outstanding debts.

In addition, there were no documented procedures to guide the timely follow-up and recovery of outstanding receivables. This was contrary to Regulation 83(2)(g) of the Public Finance Management (County Governments) Regulations, 2015, which requires sound cash management to include pursuing debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the County Government are collected and banked promptly.

In the circumstances, the effectiveness of internal controls, risk management and overall governance on debt collection could not be confirmed.

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

Responsibilities of the Management and Board of the Municipality

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, Cap.412B.

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, Cap.412B and

the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, Cap.412B. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, Cap.412B.

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2026

14. Statement of Financial Performance for the Year Ended 30 June 2026

Description	Note	2025-2026	2024-2025
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	10	21,149,622	26,209,022
Levies Fines and Penalties	11	7,316,353	12,368,444
Total revenue		**28,465,975**	**38,577,466**
Expenditure			
Use of goods and services	15	29,771,680	21,030,929
Staff costs	16	1,417,000	6,656,250
Board expenses	17	390,000	178,000
Depreciation and amortization	19	6,625,459	7,373,241
Repairs and maintenance	20	0	788,906
Total expenses		**38,204,139**	**36,027,326**
Deficit for the year		**(9,738,164)**	**2,550,140**

The notes set out on pages 6 to 52 form an integral part of these Financial Statements. The Municipality financial statements were approved on 30/06 2026 and signed by:

THE MANAGER/CEO
GARISSA MUNICIPALITY
P.O. BOX 565-70100
GARISSA

.....

Name: Mohamed Hassan Osman

Municipality Manager

.....

Name: Abdullatif Abdi Shakul

Head of Finance

ICPAK M/No: 36610

15. Statement of Financial Position as at 30 June 2026

Description	Note	2025-2026	2024-2025
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	24	84,206	650,033
Receivables from exchange transactions	25	4,601,999	7,602,000
Total current assets		**4,686,205**	**8,252,033**
Non-current assets			
Property, plant, and equipment	30	286,673,922	292,403,581
Total Non-current Assets		286,673,922	292,403,581
Total assets (A)		**291,360,127**	**300,655,614**
Liabilities			
Current liabilities			
Trade and Other Payables	36	4,148,237	3,705,560
Total current liabilities		**4,148,237**	**3,705,560**
Non-current liabilities		**0**	**0**
Total liabilities (B)		**4,148,237**	**3,705,560**
Net Assets (A-B)		**287,211,890**	**296,950,054**
Represented by:			
Capital/Development Grants/Fund		301,912,947	301,912,947
Accumulated surplus		(14,701,057)	(4,962,893)
Net Assets/Equity		**287,211,890**	**296,950,054**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Municipality financial statements were approved on 30/01/ 2026 and signed by:

THE MANAGER/CEO
GARISSA MUNICIPALITY
P.O. BOX 568-70100
GARISSA

.....

Name: Mohamed Hassan Osman

Municipality Manager

.....

Name: Abdullatif Abdi Shakul

Head of Finance

ICPAK M/No: 36610

16. Statement of Changes in Net Assets for the Year Ended 30 June 2026

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2024	301,912,947	0	(7,513,033)	294,399,914
Surplus/(deficit) for the year		-	**2,550,140**	**2,550,140**
Capital Fund during the year	-	-	-	-
Balance as at 30 June 2025	301,912,947	0	(4,962,893)	296,950,054
Balance as at 1 July 2025	**301,912,947**	**0**	**(4,962,893)**	**296,950,054**
Deficit for the year	-	-	(9,738,164)	(9,738,164)
	-	-	-	-
Balance as at 30 June 2026	**301,912,947**	**0**	**(14,701,057)**	**287,211,890**

17. Statement of Cash Flows for the Year Ended 30 June 2026

Description	Note	2025-2026	2024-2025
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		21,149,622	26,209,022
Levies, fines and penalties (cash receipts)		10,316,354	4,766,444
Total Receipts		**31,465,976**	**30,975,466**
Payments			
Use of goods and services		29,355,157	18,174,881
Staff costs		1,417,000	6,656,250
Board expenses		390,000	178,000
Transfer to CRF		0	0
Finance costs		0	0
Repairs and maintenance		0	788,906
Total Payments		**31,162,157**	**25,798,037**
Net cash flows from operating activities		303,819	5,177,429
Cash flows from investing activities			
Purchase of PPE & intangible assets		(869,646)	(4,892,300)
Net cash flows used in investing activities		**(869,646)**	**(4,892,300)**
Capital/development grant receipts		-	0
Net cash flows from financing activities		-	0
Net increase/(decrease) in cash & cash equivalents		(565,827)	285,129
Cash And Cash Equivalents At 1 July	24	650,033	364,904
Cash And Cash Equivalents At 30 June	**24**	**84,206**	**650,033**

Cash-flow reconciliation:
Use of goods and services recognised on the accrual basis is KShs. 29,771,680, comprising cash payments of KShs. 29,355,157 and accrued expenses of KShs. 416,523 outstanding at 30 June 2026. The accrued amount is included in trade and other payables and is excluded from cash payments in the Statement of Cash Flows.

18. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2026

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	B	c=(a+b)	D	e=(c-d)	f=d/c
Revenue		**Kshs.**	**Kshs.**	**Kshs.**	**Kshs.**	
Transfers from the County Government	25,000,000	0	25,000,000	21,149,622	3,850,378	85%
Levies Fines and Penalties	15,000,000	0	15,000,000	10,316,354	4,683,646	69%
Total Revenue	**40,000,000**	**0**	**40,000,000**	**31,465,976**	**8,534,024**	**79%**
Expenses						
Use of goods, services and repairs	30,000,000	0	30,000,000	29,355,157	644,843	98%
Board expenses	500,000	0	500,000	390,000	110,000	78%
Staff Costs	2,000,000	0	2,000,000	1,417,000	583,000	71%
Capital Expenditure	7,500,000	0	7,500,000	869,646	6,630,354	12%
Total Expenditure	**40,000,000**	**0**	**40,000,000**	**32,031,803**	**7,968,197**	**80%**
Deficit for the period				**(565,827)**		

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Budget deficit on comparable cash basis	**(565,827)**
	Add: Opening cash and cash equivalents at 1 July 2025	650,033
	Closing cash and cash equivalents per Statement of Cash Flows	**84,206**

5. General Information

Garissa Municipality is established under the Urban Areas and Cities Act No. 13 of 2011 (amended 2019) and the Municipal Charter dated 4 July 2018. The Municipality is under the County Government of Garissa and is domiciled in Kenya.

The Municipality's principal activity is to provide high-quality municipal services in a cost-effective manner to residents of Garissa Municipality.

6. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on the historical cost basis. Property, plant and equipment is subsequently measured using the cost model, at cost or deemed cost less accumulated depreciation and accumulated impairment losses. The financial statements are presented in Kenya Shillings, the Municipality's functional and reporting currency, and have been prepared in accordance with the PFM Act, 2012, the Urban Areas and Cities Act, 2011 (as amended), the Garissa Municipal Charter and International Public Sector Accounting Standards (IPSAS). The accounting policies have been applied consistently to all periods presented.

a) Basis of measurement

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid, or the fair value of the consideration given to acquire them at the time of acquisition, plus directly attributable transaction costs. Liabilities are recorded at the amount of consideration received to assume the obligation, less transaction costs incurred when the liability was assumed.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Entity uses market-to-observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Entity using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g., by use of the market comparable approach that reflects recent transaction prices for similar items, or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset or liability that market participants would take into account.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

I. **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.

II. **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

III. **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

IV. The Municipality's accounting policy is to recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred. This policy is consistently applied to transfers into and out of each level.

b) Use of Estimates

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the Entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

7. Application of New and revised standards (IPSAS)

Standards effective on 1 January 2026 are applied in Kenya in accordance with the reporting requirements prescribed by the Public Sector Accounting Standards Board.

- ***New and amended standards and interpretations in issue effective in the year ended 30 June 2026.***

Standard	Effective date and impact:
IPSAS 43: Leases	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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. Management adopted the standard for FY 2025/2026 and applied the relevant recognition, measurement, presentation and disclosure requirements. No material transitional adjustment arose except for the presentation and disclosures described in these financial statements.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	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. Management adopted the standard for FY 2025/2026 and applied the relevant recognition, measurement, presentation and disclosure requirements. No material transitional adjustment arose except for the presentation and disclosures described in these financial statements.
IPSAS 45: Property Plant and Equipment	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. Management adopted the standard for FY 2025/2026 and applied the relevant recognition, measurement, presentation and disclosure

	requirements. No material transitional adjustment arose except for the presentation and disclosures described in these financial statements.
IPSAS 46: Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. Clarifying transaction costs guidance to enhance consistency across IPSAS. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. Management adopted the standard for FY 2025/2026 and applied the relevant recognition, measurement, presentation and disclosure requirements. No material transitional adjustment arose except for the presentation and disclosures described in these financial statements.

- ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2026.***

Standard	**Effective date and impact:**
IPSAS 47: Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. The standard is effective for annual periods beginning on or after 1 January 2026. The Municipality's current reporting period began on 1 July 2025; management will therefore apply the standard from FY 2026/2027 and is assessing the expected impact.
IPSAS 48: Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. The standard is effective for annual periods beginning on or after 1 January 2026. The Municipality's current reporting period began on 1 July 2025; management will therefore apply the standard from FY 2026/2027 and is assessing the expected impact.

IPSAS 49: Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. The standard is effective for annual periods beginning on or after 1 January 2026. The Municipality's current reporting period began on 1 July 2025; management will therefore apply the standard from FY 2026/2027 and is assessing the expected impact.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: Limited improvements to existing accounting practices for exploration and evaluation expenditures. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. Management has assessed the standard and will apply all relevant recognition, measurement, presentation and disclosure requirements.
IPSAS 51: Tangible Natural Resources Held For Conservation	Applicable 1st January 2028 The objective of this standard is to establish the principles that an entity shall apply to report relevant information to users of financial statements about the nature, amounts, timing, and uncertainties arising from tangible natural resources held for conservation. A tangible natural resource held for conservation is a naturally occurring tangible asset that is managed to prevent its degradation. Management has assessed the standard and will apply all relevant recognition, measurement, presentation and disclosure requirements.
IPSASB SRS 1: Climate Related Disclosures	Applicable 1st January 2028 This standard provides principles for an entity to address climate-related risks and opportunities arising from an entity's activities and operations. The standard provides disclosures on governance, strategy, risk management, and metrics and targets. Management has assessed the standard and will apply all relevant recognition, measurement, presentation and disclosure requirements.

- ***Early adoption of standards***

The Municipality did not early-adopt any new or amended standards during the financial year.

8. Significant Accounting Policies

1. Revenue recognition

q) 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.

r) Revenue from exchange transactions

Finance 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.

2. Budget information

The original budget for FY2025/2026 was approved through the County budget process. No budget adjustment is reported in the statement of comparison of budget and actual amounts; the original and final budgets are both Kshs. 40,000,000.

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

immediately following the statement of comparison of budget and actual amounts of these financial statements.

3. Property, plant and equipment

Recognition and Measurement

The Municipality's Property, Plant, and Equipment (PPE) are tangible items held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used for more than one reporting period.

An item of PPE is recognized as an asset if, and only if:

i. It's **probable** that the future economic benefits or service potential associated with the item will flow to the entity
ii. The cost or fair value of the item can be measured **reliably**.

Items acquired through non-exchange transactions (e.g., donations) are measured at their **deemed cost**, which is the fair value at the date of acquisition. For all other acquisitions, initial measurement is at **cost**, which includes all expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The entity has adopted the **Historical cost model** for the subsequent measurement of its PPE. Under this model, after initial recognition, an asset is carried at its cost less any accumulated depreciation and accumulated impairment losses.

Depreciation and Impairment

The entity applies the straight-line method of depreciation, as it best reflects the pattern of the asset's consumption of its future economic benefits or service potential. Depreciation begins when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale or the date of derecognition.The depreciable amount is the cost of the asset less its residual value. The residual value and the useful life of an asset are reviewed at least at each

annual reporting date. The table below indicates the various classes of assets and the depreciation rates.

PPE Item	**Depreciation Rate**
Buildings	2-10%
Motor vehicles	10-16.67%
Infrastructure assets	0.5%
Furniture and fittings	12.5%
Computers & ICT Equipment	33.3%
Heritage Assets	Not applicable

Impairment The entity assesses at each reporting date whether there is any indication that an asset may be impaired. If an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized immediately in the statement of financial performance.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of financial performance.

4. Right of Use (ROU) Assets

A right-of-use asset represents the entity's right to use an underlying leased asset over the lease term. At the commencement date of a lease, the entity recognizes a right-of-use asset and a lease liability, except for short-term leases and leases of low-value assets as allowed under IPSAS 43.

Recognition

The entity recognizes a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

i. The amount of the initial lease liability;
ii. Any lease payments made at or before the commencement date, less any lease incentives received;
iii. Any initial direct costs incurred; and

iv. An estimate of the costs to be incurred in dismantling and removing the underlying asset or restoring the site.

Measurement

Right-of-use assets are initially measured at cost. After initial recognition, right-of-use assets are measured using the cost model, where the asset is carried at:Cost less accumulated depreciation, and Any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Depreciation of right-of-use assets is charged to expenditure in accordance with the entity's depreciation policy applicable to owned assets of the same class.Right-of-use assets are assessed for impairment in accordance with IPSAS 21 – Impairment of Non-Cash-Generating Assets or IPSAS 26 – Impairment of Cash-Generating Assets, as applicable.

5. Lease Liability

The lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments have been discounted using the interest rate implicit in the lease, and the rate can be readily determined. If the rate cannot be readily determined, the entity uses the incremental borrowing rate.

Subsequently, the lease liability is measured at amortized cost using the effective interest method and reduced by lease payments. Interest expense is recognized in the statement of financial performance.

6. Tangible Natural Resources

The entity recognises a tangible natural resource if, and only if: It is probable that service potential associated with the natural resource will flow to the entity; the entity controls the tangible natural resource as a result of past events; and The tangible natural resource can be measured reliably. Where these criteria are not met, the entity discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An entity shall apply IPSAS 46, Measurement when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange

transaction shall be measured at its cost. The historical cost model is applied after initial recognition less any depreciation and impairment losses.

7. 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.

8. Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets or disposal groups are classified as held for sale when their carrying amount is expected to be recovered through sale rather than continued use. They are measured at the lower of carrying amount and fair value less costs to sell and have been presented separately in the Statement of Financial Position. Depreciation has ceased for the assets classified as held for sale.

The Municipality had no non-current assets or disposal groups classified as held for sale at 30 June 2026. Where the classification criteria are met in a future period, the relevant assets will be measured and presented in accordance with IPSAS 44.

The Municipality had no discontinued operations during the year ended 30 June 2026.

9. Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

10. Heritage Assets

Heritage assets are assets with cultural, environmental, historical, artistic, scientific, technological, geophysical, or natural significance that are intended to be held indefinitely for the benefit of present and future generations. The entity recognizes heritage assets in accordance with IPSAS 45 – Heritage Assets.

The Municipality reported no heritage assets at 30 June 2026.

(i) Historical buildings, monuments, and structures;

(ii) Artifacts, museum collections, artworks, and archaeological finds; and

(iii) Heritage infrastructure such as historic bridges.

Heritage assets are measured using the cost model or, where fair value can be reliably determined, the current value model. Where historical cost information is unavailable or cannot be obtained at a cost commensurate with the benefits to users of the financial statements, heritage assets are measured at deemed cost (fair value at the date of initial recognition). Certain heritage assets that are difficult to value or whose value cannot be reliably determined are disclosed.

Heritage assets with indefinitely long useful lives, principally land and artifacts/collections, are not depreciated, as their value is not consumed over time and they are preserved in perpetuity. Heritage assets with finite useful lives, principally heritage buildings and heritage infrastructure are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings: 2.5% per annum

Infrastructure assets: 0.5% per annum

Useful lives and residual values are reviewed at each reporting date. All heritage assets are assessed at each reporting date for impairment in accordance with applicable IPSAS standards. Impairment losses are recognized in surplus or deficit, except to the extent that impairment reverses a revaluation surplus previously credited to net assets/equity.

The determination of whether an asset meets the definition of a heritage asset involves judgment. Management considers the cultural, historical, and environmental significance of assets, as well as whether they are subject to legal preservation orders or international conventions.

Impairment assessments require estimates of the recoverable service amount of heritage assets, which involve judgments about the condition, preservation plans, and future economic benefits or service potential of individual assets or groups of assets.

11. Financial instruments

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

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

Financial assets

Classification of financial assets

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

asurement

ss model and the cash flow characteristics, the entity classifies its financial st 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.

alue through surplus or deficit

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

e and other receivables

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

irment

Municipality assesses, on a forward-looking basis, the expected credit loss (ECL) iated with financial assets measured at amortised cost and at fair value through net s/equity. A loss allowance is recognised at each reporting date where an expected credit is identified. The assessment and significant judgements relating to exchange receivables isclosed in Note 25.

ncial liabilities

sification

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

ventories

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

purchase cost using the weighted average cost method

nd work in progress: cost of direct materials and labour and a proportion of erheads based on the normal operating capacity but excluding borrowing

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

13. Provisions

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

14. Social Benefits

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

ontingent liabilities

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

Contingent assets

Municipality does not recognize a contingent asset but discloses details of a possible asset se existence is contingent on the occurrence or non-occurrence of one or more uncertain e events not wholly within the control of the Municipality in the notes to the financial ments. Contingent assets are assessed continually to ensure that developments are opriately reflected in the financial statements. If it has become virtually certain that an ow of economic benefits or service potential will arise and the asset's value can be measured ably, the asset and the related revenue are recognized in the financial statements of the iod in which the change occurs

Nature and purpose of reserves

e Municipality maintains a Capital/Development Grants/Fund balance representing capital ıding received for asset acquisition and development. Movements in the fund are recognised ectly in net assets/equity and are presented in the Statement of Changes in Net Assets.

. Changes in accounting policies and estimates

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

. Employee benefits – Retirement benefit plans

Municipality provides retirement benefits for its employees and Board members. Defined ibution plans are post-employment benefit plans under which the Municipality pays fixed butions into a separate fund and will have no legal or constructive obligation to pay contributions if the Municipality does not hold sufficient assets to pay all employee relating to employee service in the current and prior periods. The contributions to bligations 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.

20. Foreign currency transactions

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

21. 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.

22. Related parties

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

23. 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.

24. Comparative figures

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

25. 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
vents after the reporting date).
Those that are indicative of conditions that arose after the reporting date (non-adjusting
after the reporting date).
nt reported no material adjusting or non-adjusting events after the reporting date.

ts are presented in Kenya Shillings (Kshs.) and the values rounded off

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embers,

9. Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions.

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

Useful lives and residual values

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

C. The condition of the asset based on the assessment of experts employed by the Municipality.
D. The nature of the asset, its susceptibility and adaptability to changes in technology an processes.
E. The nature of the processes in which the asset is deployed.
F. Availability of funds to replace the asset.
G. Changes in the market in relation to the asset.

10. Transfers from the County Government

Description	2025-2026 Kshs.	2024-2025 Kshs.
Transfers from County Govt. – Recurrent	21,149,622	**26,209,022**
Total	**21,149,622**	26,209,022

11. Levies, Fines and penalties

Description	2025-2026 Kshs.	2024-2025 Kshs.
Levies-Building Approvals		0
Fines	7,316,353	12,368,444
Penalties		
Total	**7,316,353**	**12,368,444**

12. Other Revenues

Description	2025-2026 Kshs.	2024-2025 Kshs.
Transfers from other government entities	0	0
Others *(indicate and specify)*	0	0
tal	0	0

Interest income

n	2025-2026 Kshs.	2024-2025 Kshs.
e from investments	0	0
on bank deposits	0	0
	0	0
ıe	0	0

ome

	2025-2026 Kshs.	2024-2025 Kshs.
nents	0	0
	0	0
	0	0

15. Use of Goods and Services

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Hire of Transport and Equipment	0	3,239,400
Domestic travel and subsistence	6,655,000	4,131,600
Printing, advertising, supplies & services	0	0
Training expenses	3,330,000	5,282,000
Hospitality supplies and services	0	3,171,696
Contracted works	8,548,200	5,000
Office and general supplies and services	3,888,800	1,523,412
Fuel, oil and lubricants	7,300,000	3,661,315
Bank Charges	49,680	16,506
Total	**29,771,680**	**21,030,929**

**Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.*

16. Staff costs

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Salaries and wages	1,417,000	6,656,250
Total	**1,417,000**	**6,656,250**

17. Board expenses

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Sitting allowances	390,000	178,000
Travel and Accommodation	0	0
Conference Costs	0	0
Total	**390,000**	**178,000**

18. Finance costs

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Interest on Bank overdrafts	0	0
Interest on loans from banks	0	0
Total	0	0

19. Depreciation and amortization

Description	2025-2026	2024-2025
	KShs	KShs
Property, plant and equipment	6,625,459	7,373,241
Total depreciation and amortization	**6,625,459**	**7,373,241**

20. Repairs and Maintenance

Description	2025-2026	2024-2025
	KShs	KShs
Culvert cleaning	0	788,906
Total repairs and maintenance	**0**	**788,906**

21. Gain/(loss) on disposal of assets

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Property, plant and equipment	0	0
Intangible assets	0	0
Total	0	0

22. Impairment Loss

Description	2025-2026	2024-2025
	Kshs	Kshs
Property, Plant and Equipment	0	0
Intangible Assets	0	
Receivables from exchange transactions	0	
Total Impairment Loss	**0**	

23. Surplus/Deficit from Discontinued Operations

Description	2025-2026	
	Kshs.	
Revenues *(specify)*	0	
Expenses *(specify)*	(0)	
Surplus/Deficit	0	

24. Cash and cash equivalents

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Current account	84,206	650,033
Total cash and cash equivalents	**84,206**	**650,033**

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

Financial institution	Account number	2025-2026	2024-2025
		Kshs.	Kshs.
a) Current account			
Kenya Commercial bank	12602111657	84,206	650,033
Grand total		**84,206**	**650,033**

25. Receivables from exchange transactions

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Current Receivables		
Other exchange debtors	4,601,999	7,602,000
Total Current receivables (a)	**4,601,999**	**7,602,000**

No current-year receivable has been recognised for expected stall levies because collection is not sufficiently certain at 30 June 2026. Revenue will be recognised when the applicable recognition criteria are met

Ageing analysis for Receivables from exchange transactions

Description	2025-2026		2024-2025	
	Kshs		Kshs	
	2025-2026	% of the total	2024-2025	% of the total
Less than 1 year	0	0%	7,602,000	100%
Between 1- 2 years	4,601,999	100%	0	0%
Between 2-3 years	0	0%	0	0%
Over 3 years	0	0%	0	0%
Total (a+b)	4,601,999	**100%**	**7,602,000**	**100%**

Receivables movement: opening balance KShs. 7,602,000; cash collections KShs. 3,000,001; and closing balance KShs. 4,601,999. Management assessed the available collection information, ongoing recovery actions and subsequent collection prospects at the reporting date and determined that no expected credit loss allowance or write-off was required. The full outstanding balance therefore remains recognised as a receivable and will continue to be followed up and reassessed at each reporting date in accordance with IPSAS 41 and the Municipality's accounting policy.

26. Receivables from Non-Exchange transaction

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Transfer from County Executive	0	0
Other government transfers	0	0
Total	0	0

Ageing analysis for Receivables from non-exchange transactions

Description	2025-2026		2024-2025	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	0	%	0	%
Between 1- 2 years	0	%	0	%
Between 2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	0	%	0	%

27. Prepayments

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Insurance	0	0
Rent	0	0
Water	0	0
Internet	0	0
Other items	0	0
Total	0	0

28. Inventories

Description	2025-2026	2024-2025
	Kshs	Kshs
Consumable stores	0	0
Medical supplies	0	0
Spare parts and meters	0	0
Water for distribution	0	0
Other goods held for resale	0	0
Catering	0	0
Less: allowance for impairment	(0)	(0)
Total inventories at the lower of cost and net realizable value	0	0

Detailed Disclosure on Inventories

	2025-2026	2024-2025
Opening balance	0	0
Additional Inventory in the year	0	0
Inventory expensed in the year	0	0
Write-downs in the year	0	0
Other assets	0	0
Closing balance	0	0

29. Non-Current Assets Held for Sale

Description	2025-2026	2024-2025
	Kshs	Kshs
Motor Vehicles	0	0
Furniture	0	0
Office Equipment	0	0
ICT Equipment	0	0
Total	0	0

30. Property, Plant and Equipment

Current FY

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Infrastructure	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
		2%	12.50%	12.50%	33.33%	0.50%	
As at 1 July **2024**	-	-	-	-	-	-	0
Adjustment/ Recognition for prior year Assets	25,000,000	57,624,000	32,600,675	2,684,647	**565,015**	**173,929,244**	292,403,581
Additions							
As at 30th June 2025	**25,000,000**	**57,624,000**	**32,600,675**	2,684,647	**565,015**	**173,929,244**	**292,403,581**
As at 1 July **2025**	25,000,000	**57,624**,000	**32,600,675**	2,684,647	**565,015**	**173,929,244**	292,403,581
Adjustment/ Recognition for prior year Assets	-	-	-	-	-	-	-
Additions						895,800	895,800
As at 30th June 2026	**25,000,000**	**57,624,000**	**32,600,675**	**2,684,647**	**565,015**	**174,825,044**	**293,299,381**
Depreciation and impairment							
Accumulated depreciation at 1 July 2025	-	-	-	-	-	-	0
Depreciation charge for the year	-	1,152,480	4,075,084	335,581	188,320	873,994	6,625,459
As at 30 June 2026	**-**	**1,152,480**	**4,075,084**	**335,581**	**188,320**	**873,994**	**6,625,459**
NBV as at 30th Jun 2025	**25,000,000**	**57,624,000**	**32,600,675**	**2,684,647**	**565,015**	**173,929,244**	**292,403,581**
NBV as at 30th Jun 2026	**25,000,000**	**56,471,520**	**28,525,591**	**2,349,066**	**376,695**	**173,951,050**	**286,673,922**

Previous FY

Cost/Value	Land	Buildings	Motor vehicles	Furniture and fittings	Computer & ICT Equipment	Infrastructure Assets	Other Assets (Specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs		Kshs	Kshs
As at 1 July (Previous FY)	0	0	0	0	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0
Disposals	(0)	(0)	(0)	-	-	(0)	(0)	(0)	(0)
Recognition of assets during transition	25,000,000	57,624,000	32,600,675	2,684,647	565,015	173,929,244	0	0	292,403,581
Revaluation Adjustments	0	0	0	0	0				0
As at 30th June (Previous FY)	**25,000,000**	**57,624,000**	**32,600,675**	**2,684,647**	**565,015**	**173,929,244**	**0**	**0**	**292,403,581**
Depreciation & Impairment									
Accumulated depreciation at 1 July 2024	0	0	0	0	0	0	0	0	0
Depreciation	-	1,176,000	4,657,239	383,521	282,465	874,016	0	-	7,373,241
Impairment	-	(0)	-	-	-	(0)	(0)	-	(0)
Transfers/ Adjustments	-	(0)	0	0	(0)	(0)	(0)	-	(0)
Accumulated depreciation at 30 June 2025	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book Value As at 30th June	**25,000,000**	**57,624,000**	**32,600,675**	**2,684,647**	**565,015**	**173,929,244**	**0**	**0**	**292,403,581**

12. Valuation

No current-year external revaluation was undertaken. Property, plant and equipment is presented under the historical cost model using the Municipality's accounting records. The Municipality recognises assets that it controls and from which it receives service potential, in accordance with IPSAS 45.

Depreciation is charged from the date an asset is available for use. During the year, infrastructure additions amounted to KShs. 895,800 and the depreciation charge amounted to KShs. 6,625,459, as presented in the property, plant and equipment movement schedule.

13. Property, Plant and Equipment at Cost

If the revalued freehold land, buildings, and other assets were stated on the historical cost basis, the amounts would be as follows:

Description	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Land	0	0	0
Buildings	0	0	0
Plant And Machinery	0	0	0
Motor Vehicles, Including Motorcycles	0	0	0
Computers And Related Equipment	0	0	0
Office Equipment, Furniture, And Fittings	0	0	0
Total	0	0	0

14. Fully depreciated assets

Property, plant, and Equipment includes the following assets that are fully depreciated:

Description	Cost or valuation	Normal annual depreciation charge
Plant and Machinery	0	0
Motor Vehicles, including Motorcycles	0	0
Computers and Related Equipment	0	0
Office Equipment, Furniture, and Fittings	0	0
Total	0	0

15. Infrastructure assets

Infrastructure assets comprise municipal roads, drainage and related urban-service works recorded at KShs. 174,825,044 at 30 June 2026. The balance includes current-year additions of KShs. 895,800.

16. Disclosures on capital work in progress

The Municipality reported no capital work in progress at 30 June 2026.

31. Right of Use Assets

Current FY

	Buildings	Motor Vehicles	Equipment	Others Not applicable	Total
	Kshs	Kshs	Kshs		Kshs
As at 1 July 2025 (Current FY)	0	0	0	0	0
Additions in the period	0	0	0		0
Remeasurement/Adjustments		0		0	0
Disposals/Terminations	(0)	(0)			
As at 30 June 2026	0	0	0	0	0
Accumulated Depreciation					
As at 1 July 2025 (Current FY)	0	0	0	0	0
Charge for the year	0	0	0	0	0
Elimination on Disposal/Transfer out	(0)	(0)	(0)	(0)	(0)
As at 30 June 2026	0	0	0	0	0
NBV As at 30 June 2026	0	0	0	0	0

Previous FY

	Buildings	Motor Vehicles	Equipment	Others Not applicable	Total
	Kshs	Kshs	Kshs		Kshs
Cost/Valuation					
As at 1 July 2024 (Previous FY)	0	0	0	0	0
Additions in the period	0	0	0		0
Remeasurement/Adjustments		0		0	0
Disposals/Terminations	(0)	(0)			
As at 30 June 2026	0	0	0	0	0
Accumulated Depreciation					
As at 1 July 2024 (Previous FY)	0	0	0	0	0
Charge for the year	0	0	0	0	0
Elimination on Disposal/Transfer out	(0)	(0)	(0)	(0)	(0)
As at 30 June 2026	0	0	0	0	0
NBV as at 30 June 2025 (Previous FY)	0	0	0		0

Entities adopting IPSAS 43 for the first time have the option not to provide figures for the previous year.

32. Intangible assets

Current FY

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Cost/Value at 1st July (Current FY)	0	0	0	0
Additions	0	0	0	0
Transfers	0	0	(0)	-
Disposal	(0)	(0)	(0)	(0)
Cost/Value at 30th of June	0	0	0	0
Amortization and impairment				
At 1st July 2025		0	0	0
Amortization charge for the year		0	0	0
Disposal		(0)		
Impairment loss	(0)	(0)	(0)	(0)
At the end of the period	0	0	0	0
NBV at 30th June 2026 (Current FY)	0	0	0	0

Previous FY

Description	Indefinite life	Definite life	Work in Progress	Total
Rate	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Cost/Value at 1st July (Previous FY)	0	0	0	0
Additions	0	0	0	0
Transfers	0	0	(0)	-
Disposal	(0)	(0)	(0)	(0)
Cost/Value at 30th of June	0	0	0	0
Amortization and impairment				
At 1st July 2024		0	0	0
Amortization charge for the year		0	0	0
Disposal		(0)		
Impairment loss	(0)	(0)	(0)	(0)
At the end of the period	0	0	0	0
NBV at 30 June 2025 (Previous FY)	0	0	0	0

33. Biological Assets

Description	*2025-2026*	2024-2025
	Kshs	Kshs
Trees in a plantation forest	0	0
Animals: Dairy Cattle, Pigs, Sheep	0	0
Other assets	0	0
Total	0	0

34. Tangible Natural Resources Held for Conservation

Current FY

	Sub-soil assets	Water	Wildlife	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
As at 1 July 2025 (Current FY)	0	0	0	0
Additions	0	0	0	0
Adjustments				
As at 30 June 2026	0	0	0	0
Accumulated Depreciation & Impairment				
As at 1 July 2025	0	0	0	0
Charge for the year	0	0	0	0
Impairment				
As at 30 June 2026	0	0	0	0
NBV as at 30 June 2026	0	0	0	0

Previous FY

	Sub-soil assets	Water	Wildlife	Total
	Kshs	Kshs	Kshs	Kshs
As at 1 July 2024 (Previous FY)	0	0	0	0
Additions	0	0	0	0
Adjustments				
As at 30 June 2025	0	0	0	0
Accumulated Depreciation & Impairment				
As at 1 July 2024	0	0	0	0
Charge for the year	0	0	0	0
Impairment				
As at 30 June 2025	0	0	0	0
As at 30 June 2025	0	0	0	0

Only tangible natural resources with a finite life shall be depreciated. Where the useful life is indefinite, assess for impairment.

35. Heritage Assets

Current FY

	Artefacts & Collections	Other category	Other category	Total
	Kshs	**Kshs**	**Kshs**	**Kshs**
Cost				
As at 1 July 2025	0	0	0	0
Additions	0	0	0	0
Adjustments	0	0	0	0
Disposal				
As at 30 June 2026	0	0	0	0
Accumulated Depreciation & Impairment				
As at 1 July 2025	0	0	0	0
Charge for the year	0	0	0	0
Impairment	0	0	0	0
Adjustments				
Disposal				
As at 30 June 2026	0	0	0	0
NBV as at 30th June 2026	0	0	0	0

Previous FY

	Artefacts & Collections	Other category	Other category	Total
	Kshs	**Kshs**	**Kshs**	**Kshs**
As at 1 July 2024	0	0	0	0
Additions	0	0	0	0
Adjustments	0	0	0	0
Disposal				
As at 30 June 2025	0	0	0	0
Accumulated Depreciation & Impairment				
As at 1 July 2024	0	0	0	0
Charge for the year	0	0	0	0
Impairment	0	0	0	0
Adjustments				
Disposal				
As at 30 June 2025	0	0	0	0
As at 30 June 2025	0	0	0	0

36. Trade and Other Payables

Description	2025-2026		2024-2025	
	Kshs.		Kshs.	
Trade payables	3,705,560		3,705,560	
Retentions	0		0	
Accrued expenses	442,677		0	
Other payables *(Specify)*	0		0	
Total trade and other payables	**4,148,237**		**3,705,560**	
Ageing analysis:	**2025-2026**	**% of the Total**	**2024-2025**	**% of the Total**
Under one year	**442,677**	10.67%	**3,705,560**	100%
1-2 years	**3,705,560**	89.33%	**0**	0%
2-3 years	**0**	0%	**0**	0%
Over 3 years	**0**	0%	**0**	0%
Total	**4,148,237**	**100%**	**3,705,560**	**100%**

37. Refundable deposits and prepayments from customers

Description	2025-2026		2024-2025	
	Kshs		Kshs	
Rent deposits	0		0	
Retention Deposits	0		0	
Prepayments	0		0	
Other items	0		0	
Total	0		0	
Ageing analysis:	**Current FY**	**% of the Total**	2024-2025	**% of the Total**
Under one year	0	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	0	**%**	0	**%**

38. Provisions

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Balance at the beginning of the year	0	0
Additional Provisions (*Specify)*	0	0
Provision utilised	(0)	(0)
Balance at the end of the year	0	0
Current Portion of provision	0	0
Long term portion of provision	0	0
Total Provisions	0	0

39. Lease Liabilities

Description	2025-2026	2024-2025
	Kshs	Kshs
At the start of the period	0	0
Discount interest on lease liability	0	0
Paid during the year	(0)	(0)
At end of the period	0	0

Analysed as:

Description	Amount
Current	0
Non- Current	0
Total	0

40. Borrowings

The below shows the classification of borrowings long-term and current borrowings:

	2025-2026	2024-2025
	Kshs.	Kshs.
owings (current portion)	0	0
vings	0	0
	0	0

	2025-2026	2024-2025
	Kshs.	Kshs.
od	0	0
	0	0

Repayments of borrowings during the period	(0)	(0)
Balance at end of the period	0	0

The table below shows the Distribution of borrowings:

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
Borrowings from other government institutions	0	0
Total balance at end of the year	0	0

41. Employee Benefit Obligations

Description	**Defined benefit plan**	**Post-employment medical benefits**	**Other Provisions**	**Total**
	Kshs.	**Kshs.**	**Kshs.**	**Kshs.**
Current benefit obligation	0	0	0	0
Non-current benefit obligation	0	0	0	0
Total	0	0	0	0

42. Deferred Income

Description	**2025-2026**	**2024-2025**
	Kshs	**Kshs**
National/County Government	0	0
International Funding Bodies	0	0
Public Contributions and Donations	0	0
Total Deferred Income	0	0

The deferred income movement is as follows:

Description	County government	International funders/ donors	Public contributions and donations	Total
	Kshs	Kshs	Kshs	Kshs
Balance brought forward	0	0	0	0
Additions during the year	0	0	0	0
Transfers to capital fund	(0)	(0)	(0)	(0)
Transfers to income statement	(0)	(0)	(0)	(0)
Other transfers	(0)	(0)	(0)	(0)
Balance carried forward	0	0	0	0

Analysed as:

Description	Amount
	Kshs
Current	0
Non- Current	0
Total	0

43. Social Benefit Liabilities

Description	2025-2026	2024-2025
	Kshs	Kshs
Health social benefit scheme	0	0
Unemployment social benefit scheme	0	0
Orphaned and vulnerable benefit scheme	0	0
PWD benefit scheme		
Elderly social benefit scheme	0	0
Total	0	0
Current social benefits	0	0
Non- current social benefits	0	0
Total (tie to totals above)	0	0

Social benefit schemes include benefits such as cash transfers for the unemployed or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g. poverty, age, unemployment among others.

44. Liabilities from Discontinued Operations/NCA Held for Sale

Description	2025-2026	2024-2025
	Kshs	Kshs
Not applicable	0	0
Not applicable	(0)	(0)
Total	0	0

45. Cash generated from operations

Description	2025-2026	2024-2025
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(9,738,164)	2,550,140
Adjusted for:		
Depreciation	6,625,459	7,373,241
Amortisation	0	0
Gains/ losses on disposal of assets	0	0
Working Capital adjustments		
Increase/Decrease in inventory	0	0
Decrease in receivables through cash collection	3,000,001	(7,602,000)
Increase in payables	416,523	2,856,048
Net cash flow from operating activities	**303,819**	**5,177,429**

46. Related party balances

iv) **Nature of related party relationships**

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

- The County Government.
- The Parent County Government Ministry.
- County Assembly.
- Key management.
- Municipality Board; etc.

v) **Related party transactions**

Description	2025-2026	2024-2025
	Kshs.	**Kshs.**
Transfers from County Government	21,149,622	26,209,022
Totals	**21,149,622**	**26,209,022**

vi) **Key management remuneration**

Description	2025-2026	2024-2025
	Kshs.	**Kshs.**
Board Members	390,000	178,000
Key Management Compensation	1,417,000	6,656,250
Total	**1,807,000**	**6,834,250**

vii) **Due from related parties**

Description	2025-2026	2024-2025
	Kshs.	**Kshs.**
Due from parent Ministry	0	0
Due from County Government	0	0
Due from County Assembly	0	0
Total	0	0

viii) **Due to related parties**

Description	2025-2026	2024-2025
	Kshs.	**Kshs.**
Due to parent Ministry	0	0
Due to County Government	0	0
Due to Key management personnel	0	0
Due to County Assembly	0	0
Total	0	0

47. Contingent liabilities

Contingent liabilities	2025-2026	2024-2025
	Kshs.	Kshs.
Court cases against the Municipality	0	0
Bank guarantees	0	0
Total	0	0

48. Contingent Assets

Contingent assets	2025-2026	2024-2025
	Kshs.	Kshs.
Court cases against the Municipality	0	0
Other items	0	0
Total	0	0

49. Financial risk management

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

- **Credit risk**

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. The Municipality assesses receivables for expected credit losses in accordance with IPSAS 41, considering the age of balances, collection history, available debtor information and subsequent receipts. Management's assessment at 30 June 2026 concluded that no impairment allowance was required. The carrying amount of receivables from exchange transactions is therefore KShs. 4,601,999. The assessment and supporting collection records are retained for audit review.

Description	Total amount Kshs.	Fully performing Kshs.
At 30 June 2025		
Bank balances	650,033	650,033
Total	650,033	650,033
At 30 June 2026		
Bank balances	84,206	84,206
Receivables from exchange transactions	4,601,999	4,601,999
Total	**4,686,205**	**4,686,205**

The customers under the fully performing category are paying their debts as they continue trading. The principal concentration of credit risk relates to balances due from service recipients and County Government-related transactions. Management monitors recoverability and supporting records throughout the year.

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

- **Liquidity risk management**

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

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

Description	Under 1 year	1-2 years	Over 2 years	Total
	Kshs.	**Kshs.**	**Kshs.**	**Kshs.**
At 30 Jun 2026 (current year)				
Trade payables	0	3,705,560	0	3,705,560
Accrued expenses	442,677	0	0	442,677
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**442,677**	**3,705,560**	**0**	**4,148,237**
At 30 June 2025 (comparative year)				
Trade payables	0	3,705,560	0	3,705,560
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	**0**	**3,705,560**	**0**	**3,705,560**

- **Market risk**

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

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

- **Foreign currency risk**

The Municipality had no material foreign-currency-denominated transactions, assets or liabilities during the year ended 30 June 2026. Accordingly, its exposure to foreign currency risk at the reporting date was nil.

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2026 (current year)			
Financial assets	0	0	0
Investments	0	0	0
Cash	84,206	0	84,206
Debtors/ receivables	4,601,999	0	4,601,999
Liabilities			
Trade and other payables	4,148,237	0	4,148,237
Borrowings	0	0	0
Net foreign currency asset/(liability)	537,968	0	537,968

Foreign currency sensitivity analysis

A foreign-currency sensitivity analysis has not been presented because the Municipality had no material foreign-currency exposure at 30 June 2026.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2026 (current year)			
Euro	10%	0	0

USD	10%	0	0
2025 (comparative year)			
Euro	10%	0	0
USD	10%	0	0

- **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 Municipality to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Municipality'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.

- **Capital risk management.**

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

Description	2025-2026 Kshs.	2024-2025 Kshs.
Revaluation reserve	0	0
Capital/Development Grants/Municipality	301,912,947	301,912,947
Accumulated surplus	(14,701,057)	(4,962,893)
Total Funds	**287,211,890**	**296,950,054**
Total borrowings	0	0
Less: cash and bank balances	(84,206)	(650,033)
Net debt/(excess cash and cash equivalents)	**(84,206)**	**(650,033)**
Gearing	0%	0%

50. Program for Results (PforR) Disclosure

The Municipality did not implement or receive financing under a Program-for-Results arrangement during FY 2025/2026. Accordingly, the detailed PforR expenditure schedule is not applicable.

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:
	Unsupported Property Plant and Equipment	Management is obtaining ownership, control and valuation documentation from the County Government of Garissa and reconciling it to the updated asset register. Assets for which control cannot be demonstrated will be reassessed for recognition in accordance with IPSAS.	Not resolved	Ongoing - FY 2026/27
	Budget Control and Performance	The underfunding is as a result of delayed funding by the County Government	Not resolved	Ongoing - FY 2026/27
	Unresolved Prior year Matters	The unresolved prior issues have not been deliberated by the relevant Senate Committee	Not resolved	Ongoing - FY 2026/27
	Delayed Transfer of Functions to the Municipality	The Municipality has been engaging the County Government through official communication. More functions have been transferred but still we are awaiting for more functions to be transferred	Not resolved	Ongoing - FY 2026/27
	Unconfirmed Board Formation	The Board was duly formed and the Minutes and gazettement of the Board is readily available	Resolved	Resolved during FY 2025/26
	Lack of an Integrated Development Plan	The Integrated Development Plan was approved by the County Assembly and the approval minutes from the County Assembly and the approved Integrated Development Plan is available for review	Resolved	Resolved during FY 2025/26
	Non-Establishment of Internal Audit Committee	Internal Audit Committee was constituted by the Board of Management and the deliberations of the committee is available for review	Resolved	Resolved during FY 2025/26

Appendix 2: Inter-Entity Transfers

	GARISSA MUNICIPALITY:			
	Breakdown of Transfers from the County Executive of Garissa County			
	FY 2025/2026			
a.	**Recurrent Grants**	**Bank Statement Date**	**Amount (Kshs.)**	**Financial Year**
	Transfer from county treasury	13/10/2025	11,149,622	2025-2026
	Transfer from county treasury	1/12/2025	7,000,000	2025-2026
	Transfer from county treasury	21/4/2026	3,000,000	2025-2026
		Total	**Ksh 21,149,622**	

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