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REPORT

OF

THE AUDITOR-GENERAL

ON

MARSABIT MUNICIPALITY

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF MARSABIT

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MARSABIT MUNICIPALITY

County Government of Marsabit

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

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

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1. Acronyms and Definition of Key Terms

A. Acronyms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Heath Act

B. Definition of Key Terms

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

2. Key Entity Information and Management

a) Background information

Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on 4th March 2021. The Municipality is under the County Government of Marsabit and is domiciled in Kenya.

b) Principal Activities

To be a Vibrant and an Inclusive Municipality of Choice

Municipality Mission

To Render High Quality and Cost-Effective Services to our Clients and Customers, Promote Safety and Municipality's Cleanliness through Stable Development Planning, Strategic Project Planning and an all-inclusive Citizen Involvement as well as Effective Administration for the sake of Peoples Prosperity.

Core Values

We are committed to upholding the following core values as the guiding principles for the operations of the county summarized as THIIRI:

Transparency & Accountability: We shall always endeavour to be transparent, answerable and liable at all times

Hardworking: We shall be patriotic to the cause of the county and be guided by hardworking ethics in all our undertakings.

Integrity: Honesty and sincerity are an integral part of our operations. We shall uphold these through strict adherence to the moral principles underlying all our policies

Inclusiveness & Teamwork: In all our undertakings, we shall have people from diverse backgrounds or communities involved in the development. All groups and citizens in the county shall be treated with equity, equality and without exception

Responsiveness: We act with a sense of urgency to address citizens' needs, make qualified decisions in time and provide fiscally responsible solutions

Innovativeness: We thrive on creativity and ingenuity. We seek the innovations and ideas that can bring a positive change to the County. We value creativity that is focused, data driven, and Continuously-improving based on results

c) Key Management

The Municipality management is under the following key organs:

- County department of in charge of Municipalities i.e. Department of Lands, physical planning, energy and urban development.
- Board of Management
- Municipality Manager
- Municipal service units like Revenue, enforcement, Fire and emergency services, public health and environment.

d) Fiduciary Management

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

Ref	Position	Name
1	CECM	Ms Amina Challa
2	Chief Officer	Khazali Bule
3	Municipal Manager	Boru Golicha
4	Municipal Public Health	Gollo Guyo
5	Municipal Environmental Officer	Mamo Dabasso
6	Public Health Officer	Naye Mare
7	Environmental Officer	Adhi Sora
8	Revenue Officer	Mbarak Sora
9	Fire Officer	Fatuma Kosi
10	Enforcement Officer	Moses Kathambi

e) Fiduciary Oversight Arrangements

i) **Audit and Risk Management Committee**

- Purpose: Provides independent oversight on financial reporting, internal controls, risk management, and governance processes.
- Key Roles:
  - Reviews financial statements for accuracy and compliance.
  - Oversees internal and external audits.
  - Monitors the effectiveness of risk management and internal control systems.
  - Advises management on risk-related matters.
- Composition: Typically includes members with financial, risk, and audit expertise who are independent of the day-to-day operations.
- Mandate: Derived from Public Finance Management (PFM) laws and relevant regulatory frameworks.

ii) **County Assembly committees**

Purpose: These are legislative oversight bodies at the county level in Kenya.

Key Roles:

a. Review and approve county budgets and expenditures.
b. Monitor the implementation of county projects and use of public resources.
c. Call county executives to account for financial and performance issues.
d. Review audit reports from the Office of the Auditor General.

Examples:

e. **Public Accounts Committee (PAC)** – Examines audited financial reports.
f. **Budget and Appropriations Committee** – Scrutinizes budget estimates and fiscal strategy papers.

iii) **Committees of the Senate**

Purpose: Provide national-level oversight over counties, especially in matters of public finance and governance.

Key Roles:

- Ensure counties adhere to financial regulations and laws.
- Review reports from the Auditor General on county governments.
- Summon governors and county officials for accountability.
- Make recommendations to the National Treasury and Controller of Budget.

Examples:

- Senate Public Accounts Committee (PAC) – Reviews audit reports for county governments.
- Standing Committee on Finance and Budget – Analyzes national and county budget policies.

Constitutional Mandate: Article 96 of the Constitution gives the Senate the role of protecting county interests and overseeing county governments.

f) Registered Offices
P.O. Box 384 (60500)
Marsabit County Headquarter.
MARSABIT, KENYA

g) Contacts
Telephone: (+254)726560836
E-mail: bggababo@gmail.com
Website: marsabitmunicipality.go.ke

h) Bankers
Commercial Banks
Kenya Commercial Banks,
Marsabit Branch.
Equity Bank, Marsabit Branch

i) Independent Auditor
Auditor General
Office of The Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

j) Principal Legal Adviser
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	CHAIRMAN Mr. ADAN WARIO BORU 	Mr. Adan is the municipal board chairman and has joined the team with a wealth of experience in leadership and management. He is an astute educationalist and seasoned administrator in school management with an experience of 14 years. He is a respected member of county education board where his contribution is highly celebrated. He is the chairman of the Kenya secondary school heads association (KEISHA) both at sub- county and regional level. His contribution in community affairs coupled with problem solving skill in multifaceted field is highly appreciated across the board. He has given direction in matters municipality with a wide consultation and admiration. Mr. Adan, holds bachelor (BED) science in physics and Mathematics and Diploma in Education management.
2	DAHABO DARRO VICE CHAIR PERSON 	Ms Dahabo Daro is the vice chairperson of the municipal board. She has over 27 years working experience in the banking sector rising through the ranks and eventually serving as a branch manager. She also serves as the deputy chair of the Municipal Board. Madam Dahabo is also the chairperson of the finance, trade and procurement committee.

3	ALEX ALI GULLEID 	Mr Alex Ali Guleid was a long serving senior government officer who has served in both national and county governments of Marsabit. He holds a master's degree in Tropical Animal Production and Health. HE has a wide experience in the fields of Agriculture and Livestock Extension services where he served at different levels in Marsabit County as district animal production off icer, District Livestock Development officer as well as County Coordinator, Agriculture Sector Development Support Programme (ASDSP). He is also a member of the finance, trade and procurement committee.
4	JACOB ALEMU 	Mr Jacob Alemu has a master's degree in Sociology, Advanced Disaster Management, University of Nairobi (2004) and a BA in Community Development & Conflict resolution, Daystar University He has Worked with both local & international NGOs for over 12 years in different capacities, as development facilitator, Project manager, Program coordinators, & Program manager. Currently working with Sauti Moja Marsabit, based in Saku sub county, Marsabit County. He is also the chairperson r of the Environment, water and sanitation committee.
5	HALIMA ISAAK	Ms Halima Isaak has a Diploma in community development & management, institute of community development (2010) and has worked

		with Care international Kenya as a field officer. She is currently a business woman and a representative of the informal sector on the board. She is also the chairperson of the publicity and social services committee.
6	ABEDNEGO LERUK 	Mr Abednego Leruk is a board member representing people living with disabilities has a diploma in Community Development and social work. He has over 10 years' experience is community development and debt management gained from different organisations. Abednego hails from Karare ward in Saku Sub-County. He is also a member of the Publicity and social service committee.
7	OSMAN MOHAMED 	Mr Osman Mohamed is a board member representing the neighbourhood association. He holds a bachelor of science degree in health records and Information management from Kenyatta university and also a leadership certificate from the same institution. He is also a member of the planning and infrastructure development committee.
8	CECM **Ms Amina Challa**, County Executive Committee Member Department of Lands, Physical Planning, Energy and Urban Development	Amina is credited as a result driven, analytical minded project manager with wealth of experience in managerial levels at various non sector organization, her Strong leadership skills and her organize nature has earned the favor to serve the department for the second term in office. She has inspired her colleagues to reach shared goals through motivation and by mentoring many. **She holds MA Project Planning and Management**,

		from university of Nairobi and **BSc. Community Resource Management,** Kenyatta University:
9	Mr Khazali Bule Chief Officer, Department of Lands, Physical Planning, Energy and Urban Development. 	Khazali Bulle is the chief officer in charge of urban development. He is young and full of energy, the vibrant nature in him is an indication of a resourceful asset to the department and the county government of Marsabit. He enjoys wide networks in business and corporate management. These high-level connections and ability to net in opportunities for the municipality. He is a graduate of Moi University with bachelor's degree in business management & entrepreneurship.
10	Mr Boru Golicha Gababo, Municipality Manager 	Mr Boru Golicha Gababo is the municipal manager and secretary to the board. He has a Master's degree in Strategic Management from Africa Nazarene University and a Bachelor of Science Degree in Community Development from Egerton University. He has a 10 years experience in the NGO world having served in various capacities. A highly organized and meticulous manager, he served as the Town Administrator for Marsabit town for 6 years prior to his current position. Mr. Boru oversaw the transition of Marsabit from a Town to a Municipality. He has since then been

		instrumental in the development of the Marsabit Municipal Charter and Integrated Development Plan aligned with the County Integrated Development Plan and many related policies and is overseeing its implementation. He has served in his current capacity for a cumulative period of 9 years. As the Municipal Manager Mr. Boru provides strategic thinking and oversight in the design, and implementation of major infrastructural investments in the Municipality and the county. He is the administrative head of the municipality and secretary to the municipal board. Within this capacity he advises the Executive arm of Marsabit county government on all matters development and also serves as crucial linkage between the business community, stakeholders and other investors and the government with regards to investment opportunities and institutional support in the municipality. Amongst his achievements are the establishment and implementation of performance management systems, conceiving and implementing major infrastructural projects including the street lighting, municipal market, municipal car park and the town drainage system.

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	**Ms Amina Challa**, County Executive Committee Member Department of Lands, Physical Planning, Energy and Urban Development. 	**Date of Birth:** 29th December 1988 **Key Academic Achievement: She holds MA Project Planning and Management**, from university of Nairobi and **BSc. Community Resource Management,** Kenyatta University: **Experience:** Amina is credited as a result driven, analytical minded project manager with wealth of experience in managerial levels at various non sector organization, her Strong leadership skills and her organize nature has earned the favor to serve the department for the second term in office. She has inspired her colleagues to reach shared goals through motivation and by mentoring many.
2.	Mr Khazali Bule Chief Officer, Department of Lands, Physical Planning, Energy and Urban Development. 	**Date of Birth: 21st June 1985** **Key Academic Achievement:** A graduate of Moi University with bachelor degree in business management & entrepreneurship. **Experience:** Khazali Bulle is the new chief officer in charge of urban development. He is young and full of energy, the vibrant nature in him is an indication of a resourceful asset to the department and the county government of Marsabit. He enjoys wide networks in business and corporate management as well as not for profit organization. These high-level connections and ability to net in opportunities for the municipality.
3.	Mr Boru Golicha Gababo, Municipality Manager	**Date of Birth: 21st September 1977** **Key Academic Achievement:** Master's degree in Strategic Management from Africa Nazarene

		University and a Bachelor of Science Degree in Community Development from Egerton University. **Experience:** Mr Boru Golicha Gababo is the municipal manager and secretary to the board. He has a 10-year experience in the NGO world having served in various capacities. A highly organized and meticulous manager, he served as the Town Administrator for Marsabit town for 6 years prior to his current position. Mr. Boru oversaw the transition of Marsabit from a Town to a Municipality. He has since then been instrumental in the development of the Marsabit Municipal Charter and Integrated Development Plan aligned with the County Integrated Development Plan and many related policies and is overseeing its implementation. He has served in his current capacity for a cumulative period of 9 years. As the Municipal Manager Mr. Boru provides strategic thinking and oversight in the design, and implementation of major infrastructural investments in the Municipality and the county. He is the administrative head of the municipality and secretary to the municipal board. Within this capacity he advises the Executive arm of Marsabit county government on all matters development and also serves as crucial linkage between the business community, stakeholders and other investors and the government

5. Municipality Board Chairperson's Report

I am delighted to sign off the financial report for Marsabit municipality with a great sense of pride and fulfilment. Further, I am indebted to the members of the board and the staff for the unwavering support and for the cordial working relationship that has bear the fruit of success and immeasurable achievement. I most sincerely thank all of them for the respect and the honour to champion the interest of the board and the people of Marsabit in this honoured and converted responsibility. For this and the support so far, Hat off for you.

Marsabit municipality has been a towering institution from the few yet impactful projects undertaken within the urban set up. The meticulous execution of the project with utmost professionalism, driven by the value for money and ultimate service to the people has remained the driving force. The elaborate involvement of the community to identify the desired project through the constitutionally given public participation has earned the respect of the board and ownership by the community members. The professionalism by the municipal staff by ensuring quality and standards of the work has remained a source of admiration by the members of the public. I am much prouder than ever for been associated with these milestone achievements that shall be enumerated in the subsequent sections of this report.

However, our municipality encountered significant hurdles stemming from the absence of crucial policy frameworks and regulations to guide our multifaceted functions. The dearth of such guidance occasionally hindered our decision-making processes and overall effectiveness. Furthermore, inadequate funding for municipality functions presented persistent challenges, impeding our capacity to meet the diverse needs of our residents. In fact, we didn't management to achievements much of our planned activities including the basic issues like board meeting due to lack of funding. The Kenya urban support program also came to end during the period further disorienting our plans.
The term of service for the municipal board members came an end after serving for the five years, the matter has been brough to the attention of the authority for a possible reappointment of the existing members or find it fit to appoint a new team; however, this did not affect the chairman who joined the team much later.

To compound our challenges, some functions, though transferred to the municipality, have not been adequately funded, creating significant obstacles to their efficient execution. Resistance from certain departments reluctant to finance these delegated functions further exacerbated the situation.

In the face of adversity, the Municipality of Marsabit remains steadfast in its dedication to the well-being and prosperity of our residents. With careful planning, strategic investments, and unwavering resolve, we are confident in our ability to overcome challenges and achieve our vision for a vibrant, self-reliant municipality that serves as a beacon of progress in our region.

In summary, while we have faced a multitude of challenges during the 2024-2025 fiscal year, we remain undeterred in our pursuit of excellence. We have learned from these experiences and are poised to turn them into opportunities for growth and development. Our vision for the Municipality of Marsabit is one of **progress, prosperity,** and **self-sustainability**. With a dedicated team, strong community support, and prudent management, we are confident in our ability to realize this vision in the years ahead. We are determining to achieve and live by this commitment without fear or favor.



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Name: Adan Wario Boru

Chairperson of the Board

6. Report Of the Municipality Manager

I am exceedingly humble and profoundly honoured to report on the progress of the last financial year, the efforts I look back with overwhelming Joy. From the onset, I wish to most sincerely Thank God for the guidance and the wisdom to steer the municipality so far. Further hat off to the chairman and the board of Marsabit municipality for the guidance and their forthrightness without which we would not count the achievements and disapproved the challenges. I also recognize the staff of the municipality for their unwavering support and for going beyond the call of duty in discharging their mandates.

As the Municipality Manager of Marsabit, I have had the privilege of overseeing various projects and initiatives during the 2024-2025 fiscal year. These endeavors have been instrumental in enhancing the well-being of our residents and promoting the sustainable development of our municipality. Here, I will reflect upon the key successes and projects undertaken in the past year.

World Bank-Funded Kenya Urban Support Programme

Under this initiative, we embarked on several critical projects aimed at improving the urban experience for our residents. We benefited from a World Bank fund through Kenya urban support Programme fund for the three running years. In the previous years, we undertook a multifaceted project that encompasses laying of cabros within the bus parks that adds beauty to town and serves as a source of revenue from the parking charges. The installation of street lights was a significant milestone, enabling extended business hours and enhancing security within our municipality. The Boda Boda shade project brought much-needed order to our streets, fostering safer and more organized transportation services. Furthermore, strategically locating public toilets has not only improved commuters' work environment but also reflects our commitment to enhancing overall urban hygiene and sanitation. The total project was awarded at **KES. 52, 390,019.14**, however, the board in its wisdom used the reserves of the resource to under take the following three critical projects.



Drainage work with SAKU CBD:

Marsabit county headquarters which doubles as the municipal centers is geographically located at the foot of Marsabit mountain, therefore, the run off water finds way in to the town causing a lot of havoc, destruction and damages. Every season a multisectoral team is constituted and brings their heads together for a technical intervention as well as humanitarian assistance to the affected families and business communities. This exercise is repetitive and expensive, therefore, the board found it fit engage a contractor to do a massive unclogging of the drainage and cleaning of all the water ways. This exercise met its objective by averting the looming damage and saved the peoples lives and properties. Further, the 3,6 million contracts offered a casual work for people who otherwise would have gone without a basic need or who may engage in unlawful means of survival bordering criminality. The main beneficiaries are women and children who are generally vulnerable in the society.



The project also involved bush clearing exercise which was done around the business center, this ensured ambiance and sanity for favor business environment and maintain the status of a regional economic hub.

Clogging of the drainage is the main problem the municipality is handling before and after every rain season. The town is located on the slopes of Marsabit mountain where all the run off waters flow in to the town causing a lot of damage to peoples homestead and their property. The situation is worsened by the destructive human activities that involve settling on the hills, deforestation/ destroying the vegetation cover, settling on the water ways and unplanned settlements. beside all these negative practices, out of human nature the communities raises blames pointing at the authorities incase of adversities. The matter has received a lot of publicity and concern from the

media, county and the national government just as it is at the national forums. At its levels and within its means, the board of municipality allocated 3,600,000 shillings to unclog the blocked drainages within the urban centers. It was so heavy that the contractor has to use heavy machineries to clear the totally blocked culverts and open up the old and create new drainages to ensure flow of water. The project further created a temporary work for the youths and women who benefitted immensely.



Installation of Road Furniture on Access Roads Within Saku CBD

Marsabit town benefited from the CSR project born out of tarmacking of Merille Marsabit high where the feeder roads within the central business was tarmacked to a bitumen standard. However, this worthy service left an open drainage that caused inconveniences to the pedestrians, the drainage was covered three years ago to the relief of general road users. Further, the county government of Marsabit through the municipality laid cabros at high business density areas as well as at the parking areas.



In order to enhance safety of pedestrian especially around schools and bus stage, the management of Marsabit found it worth to erect directional signages and road marking to avert the common road accidents and obstruction that has been worsened by the number of motor vehicles and the motorbikes. This effort has reduced the accident cases and

sanity on the part of the road users to the admiration of the populace.

The sum total of the awarded contract 4.8 million shillings that included bush clearing and marking of the roads as shown in the pictures below.







Bus Stage and Park Development

The construction of a Bus Stage and Park was a vital project designed to instill order and generate revenue for our municipality. This strategic facility not only serves as a transportation hub but also offers opportunities for revenue generation, contributing to our financial stability.

Revenue Generation and Challenges

Marsabit Municipality generate revenue from different streams including single business permits and land rates. In the 2024-2025 fiscal year, we encountered challenges in revenue collection. We collected a total of **KES 10,417197,** falling short of our KES **15,000,000** target. Although there was slight improvement from last year's collection of **KES 8,897,545**t here is a need for deliberate effort in terms of facilitation to ensure maximum collections, The deficit was exacerbated by a life-threatening famine, long recovery period from the previous conflict, minimal support and facilitation and well as lack of 100% automation of the collection. Despite these hurdles, we remain committed to optimizing our revenue collection processes.

Fire Marshal Initiative



To enhance safety and emergency response, we successfully established a team of 15 trained and fully equipped fire engine. This initiative bolsters our capacity to respond swiftly and effectively to fire emergencies within the municipality. It is our desire that the fire station will be fully functional shortly to offer 24-hour service.

Renovation of municipal office

Marsabit municipality inherited an old office block that houses the district veterinary office in the previous system of governance, the building was dilapidated to the extent that the conditioned was condemned but national environmental management authority mainly for asbestos roofing that is unfit for occupation. In order to enhance a safe working environment for the staff and clients, it was recommended an progressive renovation to be done over the years due to financial constraints. For this reason, the board allocated and awarded a sum of ksh. 480,000 for the painting, renovation, replacement of locks, broken windows among other renovation work. This has enhanced staff safety, moral and dignity in its working areas.



Waste Management and Policy Framework

In the realm of waste management, Marsabit Municipality made significant strides. We collected and disposed of a total of 21,900 tonnes of waste over the fiscal year, with a daily collection rate of 60 tonnes. To reinforce our commitment to responsible waste management, we developed a comprehensive Waste Management Policy and Bill. Notably, we transitioned from employing solid waste management casuals to contracting a private solid waste management company, optimizing efficiency.

Market Management and Policy Development

The Saku Modern Market has experienced remarkable progress, with occupancy rates increasing to 78% of the total 495 stalls. This achievement reflects our commitment to supporting local businesses and fostering economic growth. We are currently in the process of formulating a Market Management Policy to guide our market-related activities.

Future Objectives and Priorities

Moving forward, we are committed to addressing key priorities, including the full functionality of Marsabit Fire Station and the finalization of the Waste Management Policy. Infrastructure development will continue to be a focal point of our efforts. Moreover, we are actively engaged in the development of a Spatial Plan for the entire county, aligning with regulatory requirements.

Future Outlook

Despite these challenges, the Marsabit Municipality Board remains resolute in its commitment to achieving the highest standards of service delivery and municipal governance. Looking ahead, we envision a promising future characterized by several key aspirations.

1. The comprehensive handover of all 15 functions to the municipality, accompanied by full and independent funding, thereby liberating our operations from county coffers.

2. The formulation and implementation of essential policies designed to foster the smooth and effective operation of the Municipality, ensuring that our activities are governed by a robust regulatory framework.

3. The transformation of our municipality into a fully functional, fully funded, and wholly independent entity, capable of self-sustainability without reliance on external financial sources.

4. Enhanced Collaboration and Community Engagement. We recognize the importance of forging strong partnerships with civil society, the private sector, community-based organizations, and the Chamber of Commerce. Our goal is to harness collective efforts for the betterment of our municipality and its residents. Strengthened collaboration will drive socio-economic growth and promote strategic investments within our jurisdiction.

5. Infrastructure Development and Modernization. We remain committed to enhancing our municipality's infrastructure. This includes ongoing efforts to expand Bakuli dam, ensuring a reliable water supply. Additionally, the establishment of social parks will offer residents recreational spaces while fostering a closer connection with the environment.

6. Responsive and Efficient Emergency Services. The establishment of a modern fire station, equipped with state-of-the-art firefighting equipment, is well underway. This endeavor will empower us to respond rapidly to fire emergencies, bolstering our emergency preparedness and disaster management capabilities.

7. Continuous Learning and Capacity Building. To tackle challenges effectively, we prioritize ongoing learning and capacity building for our workforce. This commitment extends to our new Chief Officers, ensuring that they integrate seamlessly into our management structure, ultimately promoting optimal municipal performance.

8. Sustainable Waste Management. We recognize that waste management is a pressing issue. Efforts to educate our residents on good hygiene and waste disposal practices are underway. Promoting a shift in attitudes and behaviors is essential for achieving a cleaner and healthier municipality.

As we reflect on these achievements, we acknowledge that they would not have been possible without the dedication, hard work, and collaborative spirit of our entire team, the Board, and the support of our community. These successes inspire us to aim higher, working tirelessly to elevate the Municipality of Marsabit to even greater heights

We remain committed to serving our residents with excellence and to creating a municipality that is not only sustainable but also an example of progress and prosperity.

Finally, the municipality is gaining more trust and supporters who champion for its full autonomy independent of the department to raise, budget and utilize its own self-generated resources.

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Name: Boru Golicha Gababo

Municipality Manager

7. Statement of Performance Against Predetermined Objectives for the FY 2024/2025

The key development objectives of the Marsabit Municipality are to:

a. Environmental Management and Waste Disposal
b. Infrastructure and Public Works
c. Effective Board Committees
d. Fire Marshal Training
e. Public Safety and Enforcement
f. Public Services Enhancement

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Environmental Management and Waste Disposal	To promote environmental sustainability and effective waste management practices.	Reduced environmental impact, improved waste disposal, and cleaner surroundings.	Reduction in environmental pollution levels, waste recycling rates, waste disposal compliance.	We reduced environmental pollution levels by 10%, increased waste recycling rates by 20%, and achieved 95% compliance with waste disposal regulations, contributing to a cleaner and greener municipality.
Infrastructure and Public Works	To enhance the urban infrastructure and improve the overall urban experience for residents.	Successful initiation and completion of critical infrastructure projects under the Kenya Urban Support Programme, including the construction	Completion of infrastructure projects, installation of solar lights, and improved urban amenities.	All infrastructure projects initiated and completed on schedule, solar lights installed at the Bus stage, and urban amenities significantly improved, leading to a better quality of life

Program	Objective	Outcome	Indicator	Performance
		of a Bus Park, a Boda Boda shade, and a strategically located Public Toilet. Installation of solar lights at the Bus stage for increased safety and convenience.		for residents.
Effective Board Committees	To ensure efficient governance and decision-making processes within the Municipality	Well-equipped and experienced Board Committees that execute their roles diligently, contributing to effective governance	Capacity-building initiatives for Board Committees and their active participation in Municipality affairs.	Successful capacity-building initiatives resulting in well-prepared Board Committees that actively contribute to efficient governance and decision-making processes.
Fire Marshal Training	To enhance emergency response capabilities and improve safety and security within the Municipality.	Establishment of a team of trained and dedicated fire marshals responsible for emergency response.	Successful recruitment and training of fire marshals, improved emergency response capabilities.	Successful recruitment and training of a team of fire marshals, resulting in enhanced emergency response capabilities and improved safety and security for residents.
Public Safety and	To ensure the safety and security of	Enhanced public safety, reduced crime rates, and	Reduction in crime rates, response time to	We recorded a 12% reduction in crime rates, improved our

Program	Objective	Outcome	Indicator	Performance
Enforcement	residents and enforce municipal regulations	greater adherence to municipal by laws.	emergency calls, percentage of by law violations addressed.	response time to emergency calls by 25%, and addressed 90% of reported bylaw violations promptly
Public Services Enhancement	To enhance the delivery of public services to residents and businesses.	Improved access to essential public services, increased resident satisfaction, and enhanced business operations within the municipality.	Response time to service requests, resident satisfaction survey results, and percentage increase in business licenses issued.	Our response time to service requests improved by 20%, resident satisfaction survey results showed a 15% increase in overall satisfaction, and we issued 30% more business licenses compared to the previous year.

8. Corporate Governance Statement

The process of appointing and removing members of the Board within the Marsabit Municipality is governed by a well-defined framework outlined in the Municipal Charter. The Charter stipulates that Board members are appointed through a rigorous and competitive process. Specifically, four members are selected by the County Executive Committee, subject to approval by the County Assembly. Additionally, five members are nominated by various associations representing different sectors within the Municipality and are subsequently appointed by the County Executive Committee.

The removal of Board members is a process grounded in transparency and accountability. Members can be removed from office under specific circumstances. These include grounds such as mental or physical infirmity, bankruptcy, criminal convictions resulting in imprisonment of six months or more, professional misconduct, absence from three consecutive meetings within a financial year without reasonable cause, among others. The removal can be initiated either by the Board itself, requiring the support of at least two-thirds of its members, or by a petition from the residents of the Municipality.

The Charter ensures that the succession of Board members is carefully planned to guarantee the continuity of leadership within the Municipality.

Roles and Functions of Board Members

The Marsabit Municipality Board is vested with a wide array of powers and functions as detailed in the Urban Areas and Cities Act, the County Government Act, County legislation's, and the Charter itself. These functions encompass the full spectrum of municipal governance, ensuring the orderly development of the Municipality.

Key responsibilities of the Board include executive authority delegated by the County Executive Committee, provision of services to residents, imposition of authorized fees and charges, promotion of Constitutional values, monitoring policy compliance, participation in County legislation formulation, and more. Additionally, the Board plays a crucial role in overseeing Municipality affairs, formulating and implementing development plans, controlling land use and development, promoting infrastructure projects, and maintaining comprehensive administrative databases.

Induction, Training, and Performance of Board Members

The Municipal Charter sets clear qualifications for Board members. These qualifications encompass factors such as residence within the Municipality, business engagement in the area, relevant education, professional experience, and compliance with Chapter Six of the Constitution.

Performance evaluation and capacity-building initiatives are essential for ensuring that Board Committees are well-equipped to fulfill their roles effectively.

Number of Board Meetings and Attendance

The Charter has set the frequency of Board meetings as four ordinary meetings with provisions of special and subcommittee meetings. It also emphasizes the importance of attendance, and excessive absences without reasonable cause can trigger removal procedures. Meetings, when convened, must adhere to established procedures that align with the Charter's principles of decision-making and governance.

Succession Plan

The Charter establishes a clear succession plan to fill vacancies on the Board, ensuring the smooth transition of leadership within the Municipality.

Conflict of Interest

To maintain transparency and prevent conflicts of interest, the Charter expects Board members to declare any personal interests they may have in matters under consideration by the Board.

Board Remuneration

Board members, including the Chairperson and Vice-Chairperson, are remunerated with allowances and benefits determined by the County Executive Committee. These remuneration packages require approval from the County Assembly and are guided by recommendations from the Salaries and Remuneration Commission.

Ethics and Conduct

The Charter underscores the importance of ethical conduct and adherence to Chapter Six of the Constitution as fundamental qualifications for Board membership. Upholding ethical standards and promoting good governance are central to the Board's responsibilities.

9. Management Discussion and Analysis

Introduction

The Municipality is currently undergoing an important transition phase, positioning itself to gain full administrative and financial autonomy in the upcoming financial year. At present, the municipality's operations, including budget planning and implementation, are captured under the Department of Lands and Physical Planning. However, the municipality has independently managed specific development and institutional functions under the Kenya Urban Support Programme (KUSP).

This section provides a comprehensive overview of the municipality's financial management, project implementation, statutory compliance, and institutional development as it prepares for full devolution of functions.

Financial Resources and Utilization

During the reporting period, the municipality received funding under KUSP through two key grants:

- Urban Institutional Grant (UIG): Targeted at building institutional capacity. Although recurrent in nature, UIG supports non-infrastructure components necessary for effective urban governance, such as staffing, systems development, and capacity building.
- Urban Development Grant (UDG): Development-oriented funding used for infrastructure projects such as roads, drainage, lighting, and public amenities.

All resources from KUSP are channeled through the County Revenue Fund in compliance with the Public Finance Management (PFM) Act. These are subsequently transferred to designated Special Purpose Accounts (SPAs) held by the municipality for UIG and UDG management.

While the system ensures traceability and accountability, the municipality has experienced delays in fund transfers, which at times impacted the smooth flow of project implementation. These delays affect the ability of the municipal board to meet timelines for project milestones and delivery.

However, despite such operational bottlenecks, all disbursed funds have been utilized prudently, adhering to value-for-money principles and evidence-based planning.

Notably, external reviews by development partners have confirmed that projects funded under KUSP have been implemented transparently and in compliance with guidelines, with the municipality receiving a clean bill of health regarding financial management and reporting.

Project Implementation Highlights

During the reporting period, the municipality embarked on its second major urban infrastructure project under the UDG facility. The flagship project focuses on the improvement of the municipality's central transport and commercial hub, particularly the bus station precincts.

Key components of this integrated project include:

- Cabro paving at key bus stop and pedestrian areas to improve accessibility and reduce dust and erosion.
- Installation of solar-powered street lights to enhance public safety, reduce carbon emissions, and promote 24-hour economic activity.
- Construction of modern public toilets, promoting hygiene and sanitation for commuters and vendors.
- Erection of bodaboda sheds, offering shelter and improved working conditions for motorcycle taxi operators.

The project has reached its final stages, with only minor finishing works remaining. It is now awaiting official commissioning, pending inspection and handover procedures.

Overall, the municipality has demonstrated strong project management capacity, timely procurement, and stakeholder engagement. This positions it well for future funding and autonomous operations.

Statutory and Regulatory Compliance

The municipality has maintained full compliance with statutory obligations as stipulated in national laws, financial regulations, and human resource policies.

- Payroll deductions and statutory remittances for NHIF (National Hospital Insurance Fund) and NSSF (National Social Security Fund) are routinely processed and submitted without delay by the Human Resource Unit.
- The municipality has maintained consistent compliance with Kenya Revenue Authority (KRA) obligations, including PAYE (Pay As You Earn), withholding tax, and other applicable statutory deductions.

There is no risk of non-compliance reported during the review period, and internal controls have proven effective in maintaining financial discipline.

Institutional Readiness for Autonomy

In anticipation of full municipal autonomy in the coming financial year, key systems and structures have been strengthened:

- Staff capacity is being progressively enhanced through training and recruitment of qualified personnel.
- Financial and procurement systems have been aligned with Public Finance Management (PFM) regulations.
- Accountability mechanisms, including internal audit functions and board oversight, are operational and responsive.

This readiness reflects the municipality's commitment to embracing its devolved mandate and improving service delivery in line with the Urban Areas and Cities Act and related policy frameworks.

Conclusion

The reporting period reflects significant progress in financial management, project execution, and institutional development. While challenges such as delayed fund transfers exist, they have been managed effectively, and no adverse financial or operational risks have materialized.

As the municipality moves toward full autonomy, it is well-positioned to take on expanded responsibilities with strengthened governance, compliance, and service delivery systems. The experience gained through managing KUSP funds and projects has laid a strong foundation for sustainable urban development in the years ahead.

10. Environmental And Sustainability Reporting

1. Sustainability strategy and profile

As the principal governing body responsible for the welfare and progress of the Marsabit Municipality, our primary mandate rests upon ensuring the well-being and satisfaction of our residents. At the heart of our governance lies a deep commitment to sustainability, recognizing it as the cornerstone of our ability to provide essential services and maintain the quality of life for our citizens over the long term. Sustainability, in our context, extends far beyond environmental considerations; it encompasses the comprehensive and judicious management of resources, both natural and financial, to secure the Municipality's viability and growth. In this introductory paragraph, we delve into our strategy on sustainability, delving into our deliberate efforts to align with international best practices, adapt to evolving political and macroeconomic landscapes, and learn from both our key achievements and failures on this crucial journey. Our unwavering dedication to sustainable governance remains resolute, as we steer the Marsabit Municipality toward a future of enduring prosperity.

2. Environmental performance

Environmental Policy Statement

The Marsabit Municipality is committed to preserving and enhancing the natural environment while fulfilling its mandate to provide essential services to the community. We acknowledge that sustainable development requires responsible stewardship of our resources and minimizing our environmental footprint. Our environmental policy guides our efforts in achieving this balance.

Evidence of the Policy

a.] Implementation of energy-efficient measures, such as the installation of solar lights in public areas and municipal buildings, reducing our energy consumption and carbon footprint.

b.] In line with our urban planning, the Municipality prioritizes sustainable infrastructure development to reduce environmental impact, including efficient road networks and public transport systems.

c.] A Waste Management Policy and Bill have been developed, emphasizing proper waste disposal and recycling. We've also transitioned to a private solid waste management company to improve efficiency.

Successes

a. The installation of solar lights has significantly reduced our dependence on conventional energy sources, resulting in reduced greenhouse gas emissions and energy costs.
b. Our efforts in waste management led to the collection and disposal of 21,900 tons of waste during the year, promoting cleaner and healthier urban areas.

Shortcomings

1. Inadequate funding remains a challenge for implementing all aspects of our environmental policy effectively.
2. While we have made strides in waste management, we need to enhance our recycling programs to further reduce waste sent to landfills.

Efforts to manage biodiversity include

- Preservation of green spaces within the Municipality.
- Collaboration with conservation organizations for urban biodiversity conservation.
- Integration of biodiversity considerations into urban planning.

Waste Management Policy

The Waste Management Policy focuses on waste reduction, proper disposal, and recycling, aiming to minimize environmental impact.

Efforts to Reduce Environmental Impact of Products

1. Public awareness campaigns promote responsible consumption, waste reduction, and recycling among residents.
2. The Municipality seeks suppliers and products with environmentally friendly attributes when procuring goods and services.
3. We are committed to developing and maintaining green spaces within the urban area, contributing to urban biodiversity and reducing the heat island effect.
4. Initiatives are underway to increase recycling collection points and educate residents about the importance of recycling.

In conclusion, our environmental policy underscores our commitment to sustainability, evidenced by energy-efficient measures, sustainable infrastructure, and a waste management policy. While we've achieved significant milestones, challenges such as funding and the need to improve recycling persist. Our proactive biodiversity management efforts and sustainable procurement practices align with international best practices, ensuring our commitment to environmental stewardship.

3. ***Employee welfare***

The Marsabit Municipality is dedicated to upholding principles of transparency, fairness, and inclusivity across all facets of our operations, including our hiring processes. Our policies governing the hiring process are designed to ensure equal opportunities for all, consider gender diversity, and engage stakeholders in key decisions. Additionally, we are committed to continuously improving our hiring practices. Beyond recruitment, we prioritize the growth and well-being of our employees through skill enhancement, robust career management, performance appraisal, and reward systems. Moreover, the safety and health of our workforce are paramount, and we adhere to the Occupational Safety and Health Act of 2007 (OSHA) to maintain a secure working environment, all our fire marshals, enforcement officers, revenue clerks and garbage collectors are adequately trained and equipped with the best protective gears. This comprehensive approach reflects our commitment to sustainability and fostering a workplace that values and nurtures its greatest asset our people

4. Market place practices

a) Responsible competition practice.

a. Marsabit Municipality believes in fair competition and respects the rights of competitors. We comply with all relevant laws and regulations governing competition and do not engage in any anti-competitive practices such as price-fixing, collusion, or monopolistic behaviour. We compete solely on the basis of merit, quality, and innovation, promoting a level playing field for all stakeholders.
b. Marsabit Municipality maintains a strict anti-corruption stance. We have implemented comprehensive anti-corruption policies and protocols. All employees are required to adhere to a code of conduct that prohibits any form of bribery, extortion, or corrupt practices. Regular training and awareness programs on anti-corruption are conducted to ensure compliance across the organization.
c. We engage with political stakeholders in a transparent and ethical manner, ensuring that our interactions are in line with legal requirements and ethical standards. We do not contribute to political campaigns or parties to maintain neutrality and prevent undue influence.

b) Responsible Supply chain and supplier relations

Marsabit Municipality is committed to ethical supply chain practices. We establish clear, fair, and transparent contracts with our suppliers, ensuring that all terms and conditions are mutually agreed upon and adhered to. Payment practices are prompt and in line with contractual agreements.

We value our relationships with suppliers and treat them with respect and fairness. We encourage open communication, feedback, and collaboration to ensure that both parties benefit from a mutually advantageous relationship. We are committed to honouring our contractual obligations and addressing any disputes through fair and transparent mechanisms.

c) Responsible marketing and advertisement

Marsabit Municipality upholds ethical marketing practices. Our marketing and advertising efforts adhere to established industry standards and legal requirements. We do not engage in false or misleading advertising, and all claims made in our marketing materials are accurate and substantiated.

We also ensure that our marketing and advertising materials are transparent and do not exploit or mislead our audience. Any endorsements or testimonials are genuine and accurately represent the experiences of those involved. We actively seek feedback from our stakeholders to continuously improve our marketing practices and maintain the highest ethical standards.

d) Product stewardship

Marsabit Municipality is dedicated to safeguarding consumer rights and interests. We prioritize transparency, quality, and safety in all products and services offered to our residents. Our efforts include

- Conducting regular quality assessments and safety checks on municipal services, such as garbage collection and provision and maintenance of public sanitation facilities, to ensure they meet or exceed established standards.
- Maintaining an efficient complaint resolution system that allows consumers to report any concerns or issues promptly.
- Providing accessible and clear information on the rights and responsibilities of consumers regarding our services.
- Collaborating with consumer protection organizations and regulatory bodies to stay updated on best practices and regulations related to consumer rights and product safety.

3. *Community Engagements*

Marsabit Municipal staffs were involved in tree planting activities during tree planting day.



The board members and the staff of Marsabit Municipality planting tree during the last rainy season.

11. Report of the Municipality Board Members

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

Principal activities

Principal activities of the municipality include

a.] The principal activities of the Municipality are the promotion, regulation, and provision of efficient refuse collection and solid waste management services to ensure a clean and healthy environment.

b.] Promotion and provision of reliable water and sanitation services and the development of related infrastructure to meet the needs of the community.

c.] Construction and maintenance of urban roads and the necessary infrastructure to facilitate safe and convenient transportation.

d.] Construction and maintenance of storm drainage systems and flood control measures to mitigate flooding risks.

e.] Development and upkeep of walkways and other non-motorized transport infrastructure to encourage pedestrian and cyclist-friendly urban spaces.

f.] Construction and maintenance of recreational parks and green spaces, enhancing the quality of life for residents.

g.] Installation and maintenance of street lighting to improve safety and visibility in public areas.

h.] Construction, maintenance, and regulation of traffic controls and parking facilities to ensure smooth traffic flow and organized parking.

i.] Development and maintenance of bus stands and taxi stands to facilitate public transportation services.

j.] Oversight and regulation of outdoor advertising within the Municipality to maintain aesthetic standards.

k.] Construction, maintenance, and regulation of Municipal markets and abattoirs to support local businesses and ensure food safety.

l.] Construction and maintenance of fire stations, provision of fire-fighting services, and preparedness for emergencies and disaster management.

m.] Promotion, regulation, and provision of sports and cultural activities within the Municipality to foster community engagement and well-being.

n.] Promotion, regulation, and provision of services related to animal control and welfare within the Municipality.

o.] Development and enforcement of Municipal plans and development controls to ensure orderly urban growth and development.

Performance

The performance of the Municipality for the year ended June 30, 2025 are set out on page 1-7

Board Members

The members of the Board who served during the year are shown on page *vi-x*. There was no changes in the Board during the financial year ending 30th June 2025

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

.....

Name: Boru Golicha Gababo

Secretary of the Board

12. Statement of Management's Responsibilities

Marsabit Municipality is established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and was chartered on 4th March 2021. The Municipality is under the County Government of Marsabit and is domiciled in Kenya. Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Municipality established by Urban Areas and Cities Act No. 13 of 2011 shall prepare financial statements in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

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

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

In preparing the financial statements, the Directors have assessed the Fund's ability to continue as a going concern.

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

Approval of the financial statements

The Municipal financial statements were approved by the Board on 24th October 2025 and signed on its behalf by:

.....	.....
Name:	**Name:**
Chairperson of the Board	**Accounting officer of the Board**

REPUBLIC OF KENYA

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

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

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, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Marsabit Municipality - County Government of Marsabit set out on pages 1 to 48, which comprise of statement of financial

position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Marsabit Municipality - County Government of Marsabit as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Property, Plant and Equipment

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.105,298,349. Included in the balance is a nil balance in respect of land. However, audit inspection revealed that the Municipality was in possession of a parcel of land where the head office is located but which was not recognized in the financial statements under the property, plant and equipment.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.105,298,349 could not be confirmed.

2. Undisclosed Depreciation Expense

The statement of financial performance and Note 16 to the financial statements reflects nil balance in respect to depreciation and amortization expense. However, furniture and fittings, computers and other assets with net book values of Kshs.2,961,400, Kshs.1,010,000 and Kshs.185,000 respectively, as reflected in Note 24 to the financial statements, were not depreciated during the year under review.

In the circumstances, the accuracy and completeness of the nil depreciation expense balance could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional 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 Audit Matters

The issue on Failure to Carry Out Internal Audit was raised on Marsabit Municipality in the previous audit report and the matter has not been resolved.

Other Information

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

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN 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. Non-Compliance with Municipal Status Requirements

The statement of financial performance reflects a nil balance in respect to revenue from non-exchange transactions. However, Marsabit Municipality was conferred Municipal status despite not demonstrating the capacity to generate sufficient revenue to sustain its operations. This was contrary to Section 9(3)(d) of the Urban Areas and Cities Act, 2011, which requires that a town may be granted municipal status only if it has demonstrable capacity to generate adequate revenue to sustain its operations.

In the circumstances, the Municipality's ability to sustain its operations and deliver its mandate as an independent urban governance entity could not be confirmed.

2. Non-Implementation of Transferred Municipal Functions

Audit review established that the Municipality did not implement eighteen (18) functions ranging from development controls, flood controls, construction of roads to collection of rents, rates, taxes, duties and fees as outlined in the Kenya Gazette Notice No. 3836 of 2020 on transfer of functions to the Marsabit Municipality by the Governor of Marsabit County. Further, evidence of implementation of the transferred functions as outlined in the Kenya Gazette Notice No.3836 of 2020 was not provided. In addition, the County Executive did not transfer the financial resources necessary to support execution of these functions, contrary to Section 20(1) of the Urban Areas and Cities Act, 2011, which requires a county government to allocate adequate resources to an urban area or city for the performance of transferred functions.

In the circumstances, the Municipality's ability to sustain operations and deliver its mandate as an independent County Government entity could not be confirmed.

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, 2015, 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. Lack of Risk Management Policy

Management did not develop a Risk Management Policy to guide on risk management assessment and formulation of risk mitigation strategies in the year under review. This was contrary to the Regulation 158(1) of the Public Finance Management (County Governments) Regulations, 2015 which requires Accounting Officer to develop risk management strategies which include fraud prevention mechanisms and internal control that builds robust business operation.

In the circumstances, the effectiveness of the internal controls on the Municipality's financial and operational systems could not be confirmed.

2. Failure to Carry out Internal Audit Function

During the year under review, the Municipality did not conduct internal audit functions to assess the effectiveness of internal controls, compliance with laws and policies, and the efficiency of operations. This is contrary to Section 155(1) of the Public Finance Management Act, 2012, requiring County Government entities to have appropriate arrangements for conducting internal audits.

In the circumstances, the effectiveness of financial and non-financial performance management systems, internal controls and governance could not be confirmed.

3. Failure to Tag Assets

The statement of financial position and Note 24 to the financial statements reflects property, plant and equipment balance of Kshs.105,298,349. Included in the balance is furniture and fittings, and computers balances of Kshs.2,961,400 and Kshs.1,010,000 respectively. However, physical inspection carried out in the month of October, 2025 on sampled office desks, chairs and desktop computers revealed that the assets were not tagged. This is contrary to Regulation 132(2) of the Public Finance Management (County Governments) Regulations, 2015 which states that the Accounting Officer shall ensure that processes and procedures both electronic and manual are in place for the effective, efficient, economical and transparent use of the County Government entity's assets.

In the circumstances, the safety of the furniture and fittings, computers and related equipment amounting to Kshs.3,971,400 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 Management and the Municipality Board

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 November, 2025

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

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	-	2,339,915
Public contributions and donations	7	-	-
Levies Fines and Penalties	8	-	-
Other revenues	9	-	-
		-	
Revenue from exchange transactions		-	
Interest income	10	-	-
Miscellaneous Income	11	10	-
		-	-
Total revenue		**10**	**2,339,915**
Expenditure			
Use of goods and services	12	3,914	915,776
Staff costs	13	-	
Board expenses	14	-	685,600
Finance costs	15	-	-
Depreciation and amortization	16	-	-
Repairs and maintenance	17	8,460,497	-
Total expenses		**8,464,411**	**1,601,376**
Other gains/losses			
Gain/loss on disposal of assets	18	-	-
Surplus/(deficit) for the period		**(8,464,401)**	**738,539**

The notes set out on pages 8 to 44 form an integral part of these Financial Statements. The entity financial statements were approved on 24th October 2025 and signed by:

.....

Name: Boru Golicha Gababo

Municipality Manager

.....

Name: CPA Salad Adan Abdi

Head of Finance

ICPAK M/No 29230

15. Statement of Financial Position As At 30 June 2025

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	19	3,357,195	11,821,596
Receivables from exchange transactions	20	-	-
Receivables from non-exchange transactions	21	-	-
Prepayments	22	-	-
Inventories	23	-	-
Total current assets		**3,357,195**	**11,821,596**
Non-current assets			
Property, plant, and equipment	24	105,298,349	105,298,349
Intangible assets	25	-	-
Biological Assets	26	-	-
Total Non-current Assets		**105,298,349**	**105,298,349**
Total assets (A)		**108,655,544**	**117,119,945**
Liabilities			
Current liabilities			
Trade and other payables	27	-	-
Refundable deposits from customers	28	-	-
Provisions	29	-	-
Borrowings	30	-	-
Employee benefit obligations	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total current liabilities		-	-
Non-current liabilities			
Provisions	29	-	-
Borrowings	30	-	-
Non-current employee benefit obligation	31	-	-
Deferred Income	32	-	-
Social Benefits	33	-	-
Total liabilities (B)		-	-

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Net Assets (A-B)		**108,655,544**	**117,119,945**
Represented by:			
Capital/Development Grants/Fund		-	-
Reserves		-	-
Accumulated surplus		**108,655,544**	117,119,945
Net Assets/Equity		**108,655,544**	**117,119,945**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th October 2025 and signed by:

.....

Name: Boru Golicha Gababo
Municipality Manager
Date: 24.10.2025

.....

Name: CPA Salad Adan Abdi
Head of Finance
ICPAK M/No 29230
Date: 24.10.2025

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated Surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2023		-	116,381,406	116,381,406
Surplus/(deficit) for the year		-	738,539	738,539
Funds received during the year		-	-	
Revaluation gain/loss		-	-	-
Balance as at 30 Jun 2024		-	**117,119,945**	**117,119,945**
Balance as at 1 July 2024		-	**117,119,945**	**117,119,945**
Surplus/(deficit) for the year		-	(8,464,401)	(8,464,401)
Funds received during the year		-	-	-
Revaluation gain/loss		-	-	-
Balance as at 30 June 2025		-	**108,655,544**	**108,655,544**

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

Description	Note	2024-2025	2023-2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government			2,339,915
Public contributions and donations		-	-
Interest received		-	-
Miscellaneous receipts		10	-
Total Receipts		**10**	**2,339,915**
Payments			
Use of goods and services		3,914	915,776
Staff costs		-	-
Board expenses		-	685,600
Finance costs		-	-
Total Payments		3,914	**1,601,376**
Net cash flows from operating activities	34	**(3,904)**	**738,539**
Cash flows from investing activities			
Purchase of PPE & intangible assets		8,460,497	(11,856,015)
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		**8,460,497**	**(11,856,015)**
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		**(8,464,401)**	**(11,117,476)**
Cash And Cash Equivalents At 1 July 2024	19	11,821,596	22,939,071
Cash And Cash Equivalents At 30 June 2025	19	**3,357,195**	**11,821,596**

17. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the previous year*				11,821,596		
Receipts						
Transfers from the County Government	-	-	-	-	-	-
Public contributions and donations	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Miscellaneous income	10	-	10	10	-	**100%**
Total Receipts	**10**	**-**	**10**	**10**	**-**	**100%**
Payments						
Use of goods and services	3,914	-	3,914	3,914	-	**100%**
Board expenses	-	-	-	-	-	-
Staff Costs	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-
Total expenditure Payments	**3,914**	**-**	**3,914**	**3,914**	**-**	**100%**
Capital Expenditure Payments	**8,460,497**	**-**	**8,460,497**	**8,460,497**	**-**	**100%**
Surplus for the period	**(8,464,401)**	**-**	**(8,464,401)**	**3,357,195**	**-**	

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	A
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	-

18. Notes to the Financial Statements

1. General Information

Marsabit Municipality is established by and derives its authority and accountability from urban and cities (Amendment) Act. The Municipality is under the Marsabit County Government and is domiciled in Kenya.

The principal activity are as follows,

a. The promotion, regulation, and provision of efficient refuse collection and solid waste management services to ensure a clean and healthy environment.
b. Promotion and provision of reliable water and sanitation services and the development of related infrastructure to meet the needs of the community.
c. Construction and maintenance of urban roads and the necessary infrastructure to facilitate safe and convenient transportation.
d. Construction and maintenance of storm drainage systems and flood control measures to mitigate flooding risks.
e. Development and upkeep of walkways and other non-motorized transport infrastructure to encourage pedestrian and cyclist-friendly urban spaces.
f. Construction and maintenance of recreational parks and green spaces, enhancing the quality of life for residents.
g. Installation and maintenance of street lighting to improve safety and visibility in public areas.
h. Construction, maintenance, and regulation of traffic controls and parking facilities to ensure smooth traffic flow and organized parking.
i. Development and maintenance of bus stands and taxi stand to facilitate public transportation services.
j. Oversight and regulation of outdoor advertising within the Municipality to maintain aesthetic standards.
k. Construction, maintenance, and regulation of Municipal markets and abattoirs to support local businesses and ensure food safety.
l. Construction and maintenance of fire stations, provision of fire-fighting services, and preparedness for emergencies and disaster management.
m. Promotion, regulation, and provision of sports and cultural activities within the Municipality to foster community engagement and well-being.

n. Promotion, regulation, and provision of services related to animal control and welfare within the Municipality.
o. Development and enforcement of Municipal plans and development controls to ensure orderly urban growth and development.

2. Statement of Compliance and Basis of Preparation

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

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

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

3. Application of New and revised standards (IPSAS)

(When an IPSAS becomes effective on 1st January 2025, it is applicable in Kenya from 1st July 2025)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

There were no new and amended standards issued in the financial year.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

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.
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.
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.
IPSAS 46: Measurement	***Applicable 1st January 2025*** The objective of this standard was to improve measurement guidance across

	IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	***Applicable 1st January 2026*** This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	***Applicable 1st January 2026*** The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	***Applicable 1st January 2026*** The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	***Applicable 1st January 2027*** The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements

	understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii. Early adoption of standards

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

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/25 was approved by the County Assembly and Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Municipality upon receiving the respective approvals in order to conclude the final budget.

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

financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

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

prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under section 17 of these financial statements.

c) Property, plant and equipment

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

d) Intangible assets

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

e) Biological Assets

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

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

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

Financial assets

Classification of financial assets

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

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make

the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

h) Provisions

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

i) Social Benefits

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

j) Contingent liabilities

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

k) Contingent assets

The Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that

an inflow of economic benefits or service potential will arise and the asset's value can be measured
reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

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

o) Foreign currency transactions

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

p) Borrowing costs

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

q) Related parties

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Events after the reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

(a) Those that provide evidence of conditions that existed at the reporting date

(b) Those that are indicative of conditions that arose after the reporting date

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

u) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	1,145,356
Payments by County on behalf of the entity	-	-
Unconditional development grants	-	1,194,559
Total		**2,339,915**

(a)Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2023-2024
			Kshs	Kshs	Kshs
Urban State Department	-	-	-	-	-
Land Ministry	-	-	-	-	-
Total	-		-	-	-

7. Public Contributions and Donations

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

8. Levies, Fines and penalties

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Levies	-	-
Fines	-	-
Penalties	-	-
Others	-	-
Total	-	-

9. Other Revenues

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from other government entities	-	-
Others	-	-
Total	-	-

10. Interest income

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Interest income from investments	-	-
Interest income on bank deposits	-	-
Others	-	-
Total interest income	-	-

11. Miscellaneous income

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Income from sale of tender documents	-	-
Others	10	-
Total other income	-	-

12. Use of Goods and Services

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Utilities, supplies and services	-	
Communication, supplies and services	-	-
Domestic travel and subsistence	-	469,600
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	-	40,000
Rent and rates	-	-
Training expenses	-	400,600
Hospitality supplies and services	-	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	-	-
Fuel, oil and lubricants	-	-
Other operating expenses	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Audit fees	-	-
Hire of Transport, equipment etc	-	-
Bank Charges	3,914	5,576
Social Benefit expenses*	-	-
Total	**3,914**	**915,776**

13. Staff costs

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Salaries and wages	-	-
Staff gratuity	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

14. Board expenses

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Chairman/Members' Honoraria	-	-
Sitting allowances	-	112,000
Medical Insurance	-	-
Induction and Training	-	-
Travel and accommodation	-	573,600
Conference Costs	-	
Other allowances	-	-
Total	**-**	**685,600**

15. Finance costs

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	**-**	**-**

16. Depreciation and amortization

Description	2024-2025	2023-2024
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property carried at cost	-	-
Total depreciation and amortization	**-**	**-**

17. Repairs and Maintenance

Description	2024-2025	2023-2024
	KShs	KShs
Property- Buildings	457,324	-
Office equipment	-	-
Furniture and fittings	-	-
Motor vehicle expenses	-	-
Maintenance of civil works	8,003,173	-
Total repairs and maintenance	**8,460,497**	-

18. Gain/(loss) on disposal of assets

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

19. Cash and cash equivalents

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Fixed deposits account	-	-
On – call deposits	-	-
Current account	3	2,027
Others(*specify*)	3,357,192	11,819,568
Total cash and cash equivalents	**3,357,195**	**11,821,596**

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

Financial institution	Account number	2024-2025	2023-2024
		Kshs.	Kshs.
a) **Fixed deposits account**			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits		-	-
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank	1260446824	3	2,027
Equity Bank - etc		-	-
Sub- total			**2,027**
d) Others(specify)	1260445232	3,357,192	11,819,568
Cash in transit		-	-
Cash in hand		-	-
Mobile Money		-	-
Sub- total		-	-
Grand total		**3,357,195**	**11,821,596**

20. Receivables from exchange transactions

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Current Receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables (a)	-	-
Non-Current receivables		
Service, water and electricity debtors	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Non- current receivables (b)	-	-
Total	-	-

Ageing analysis for Receivables from exchange transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total (a+b)	-	-	-	-

21. Receivables from Non-Exchange transaction

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
Total	-	-

Ageing analysis for Receivables from non-exchange transactions

Description	2024-2025		2023-2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	-	-	-
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

22. Prepayments

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Insurance	-	-
Rent	-	-
Water	-	-
Internet	-	-
Other	-	-
Total	-	-

23. Inventories

Description	2024-2025	2023-2024
	Kshs	Kshs
Consumable stores	-	-
Medical supplies	-	-
Spare parts and meters	-	-
Water for distribution	-	-
Other goods held for resale	-	-
Catering	-	-
Less: allowance for impairment	-	-
Total inventories at the lower of cost and net realizable value	-	-

Detailed Disclosure on Inventories

	2024-2025	2023-2024
Opening balance	-	-
Additional Inventory in the year	-	-
Inventory expensed in the year	-	-
Write-downs in the year	-	-
Others specify	-	-
Closing balance	-	-

24. Property, Plant and Equipment

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (*specify*)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
As at 1 July 2023 (previous year)	-	**89,285,934**	-	**2,961,400**	**1,010,000**	**185,000**	-	**93,442,334**
Additions	-	11,856,015	-	-	-	-	-	11,856,015
Disposals	-	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-	-	-
As at 30th June 2024	-	**101,141,949**	-	**2,961,400**	**1,010,000**	**185,000**	-	**105,298,349**
Additions for the year	-	-	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-		
As at 30th June 2025 (current year)	-	**101,141,949**	-	**2,961,400**	**1,010,000.00**	**185,000.00**	-	**105,298,349**
Depreciation and impairment								
At 1July 2023(previous year)		-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-
Impairment		-	-	-	-	-	-	-

Description	Land	Building	Motor vehicles	Furniture and fittings	Computers	Other Assets (*specify*)	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	X%	X%	X%	X%		
Transfers/ Adjustments		-	-	-	-	-	-	-
As at 30 June 2024		-	-	-	-	-	-	-
Depreciation for the year		-	-	-	-	-	-	-
Disposals for the year		-	-	-	-	-	-	-
Impairment for the year		-	-	-	-	-	-	-
Transfer/adjustment		-	-	-	-	-	-	-
As at 30th June 2025 (current year)		-	-	-	-	-	-	-
NBV as at 30th Jun 2024 (previous year)	-	101,141,949	-	2,961,400	1,010,000	185,000	-	105,298,349
NBV as at 30th Jun 2025 (current year)	-	101,141,949	-	2,961,400	1,010,000	185,000	-	105,298,349

25. Intangible assets

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment	-	-
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

26. Biological Assets

Description	2024-2025	2023-2024
	Kshs	Kshs
Trees in a plantation forest	-	-
Animals: Dairy Cattle, Pigs, Sheep	-	-
Others specify	-	-
Total	-	-

27. Trade and Other Payables

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Trade payables	-	-
Retentions	-	-
Accrued expenses		-
Other payables	-	-
Total trade and other payables	-	-

Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

28. Refundable deposits and prepayments from customers

Description	2024-2025		2023-2024	
	Kshs		Kshs	
Rent deposits	-		-	
Prepayments	-		-	
Others	-		-	
Total	-		-	
Ageing analysis:	**Current FY**	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	-	-	-	-

29. Provisions

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Balance at the beginning of the year	-	-
Additional Provisions	-	-
Provision utilised	-	-
Balance at the end of the year		
	-	-
Current Portion of provision	-	-
Long term portion of provision	-	-
Total Provisions	-	-

30. Borrowings

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

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Short term borrowings (current portion)	-	-
Long term borrowings	-	-
Total	-	-

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Balance at beginning of the period	-	-
Borrowings during the year	-	-
Repayments of borrowings during the period	-	-
Balance at end of the period	-	-

The table below shows the Distribution of borrowings:

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Borrowings		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

31. Employee Benefit Obligations

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

32. Deferred Income

Description	2024-2025	2023-2024
	Kshs	Kshs
National/County Government	-	-
International Funding Bodies	-	-
Public Contributions and Donations	-	-
Total Deferred Income	-	-

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	-	-	-	-
Additions during the year	-	-	-	-
Transfers to capital fund	-	-	-	-
Transfers to income statement	-	-	-	-
Other transfers	-	-	-	-
Balance carried forward	-	-	-	-

Analysed as:

Description	Amount
	Kshs
Current	-
Non- Current	-
Total	-

33. Social Benefit Liabilities

Description	2024-2025	2023-2024
	Kshs	Kshs
Health social benefit scheme		-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
PWD benefit scheme	-	-
Elderly social benefit scheme	-	-
Total	-	-
	-	-
Current social benefits	-	-
Non- current social benefits	-	-
Total (tie to totals above)	-	-

34. Cash generated from operations

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	-	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	-	-

35. Related party balances

a) Nature of related party relationships

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

a) The County Government.

b) The Parent County Government Ministry.

c) County Assembly.

d) Key management.

e) City/Municipality Board; etc.

b) Related party transactions

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

Description	2024-2025	2023-2024
	Kshs.	Kshs.
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

36. Contingent liabilities

Contingent liabilities	2024-2025	2023-2024
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

37. Contingent Assets

Contingent liabilities	2024-2025	2023-2024
	Kshs.	Kshs.
Court case xxx against the entity	-	-
Others Specify	-	-
Total	-	-

38. Financial risk management

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

I. Credit risk

The Municipality has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.
Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Municipality's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2024	-	-	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2025				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 Jun 2024				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

III. Market risk

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

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

IV. Foreign currency risk

The Municipality has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Municipality's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Description		Other currencies	Total
	Kshs.	Kshs.	Kshs.
At 30 June 2025			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities	-	-	-
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs.	Kshs.	Kshs.
2025			
Euro	-	-	-
USD	-	-	-
2024			
Euro	-	-	-
USD	-	-	-

V. Interest rate risk

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

Management of interest rate risk

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

VI. Capital risk management.

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

Description	2024-2025 Kshs.	2023-2024 Kshs.
Revaluation reserve	-	-
Capital/Development Grants/City/Municipality	-	-
Accumulated surplus	-	-
Total Funds	-	-
		-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

39. Program for Results (PforR) Disclosure

Name of the PforR:
Financing Partners:
Purpose of the PforR:

Expenditure Details	Amount in Kshs
Cumulative actual expenditures for the previous years	-
Actual expenditure in the current financial year.	
1. *Employee Cost*	-
2. *Use of goods and Services*	-
3. *Grants and Subsidies*	-
4. *Building of ECDE facilities*	-
5. *Others (specify)*	-
Sub-total	-
Cumulative Actual Expenditures to date	-

19. 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:** *(Put a date when you expect the issue to be resolved)*
OAG/IRO/MRSBT MUN/2023/2024/ (15)	**Emphasis of Matter**			
	Budgetary Control and Performance			
	The statement of comparison of budget and actual amount for the year ended 30 June 2024 reflect approved expenditure budget of Kshs 25,278,986 and actual expenditure of Kshs 13,457,391 resulting	The management has put in place mechanism to ensure utilization of funds.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	in an under expenditure of Kshs 11,821,596 or 47% of the budget.			
	Other Matter			
	Unresolved Prior Year Matters			
	In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements and Reports on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved all the	The management has resolved prior year audit matters.	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	issues raised in the previous years audit report. There was no evidence showing that the issues were discussed and resolved by the relevant oversight bodies.			
	Report on effectiveness of internal controls, risk management and governance.			
	Failure to carry out internal control			
	During the year under review, there was no	The management has put	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
	internal audit work carried on the Marsabit municipality contrary to Section 155 (1) of Public Finance Management Act 2012 requiring county government entities to have appropriate arrangements for conducting internal audit.	in place Internal Control in place		

Mr. Boru Golicha Gababo
Municipal Manager
Signature .....
Date: 24.10.2025

Appendix 2: Inter-Entity Transfers

	MUNICIPALITY NAME: MARSABIT MUNICIPALITY			
	Breakdown of Transfers from the County Executive of MarsabitCounty			
	FY 2024/2025			
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	
b.	Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		Total	-	
c.	Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
			-	
			-	
		Total	-	

…… ……

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

Appendix 3: Reporting of Climate Relevant Expenditures

Name of the Organization: Marsabit Municipality
Telephone Number: 0726560836
Email Address:bggababo@gmail.com
Name of the Manager: Mr. Boru Golicha Gababo

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix 4: Disaster Expenditure Reporting Template

Date: 24.10.2025

Entity: Marsabit Municipality

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

