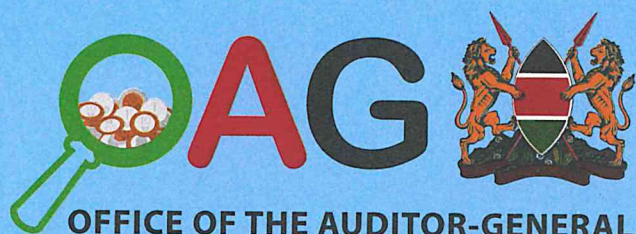


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

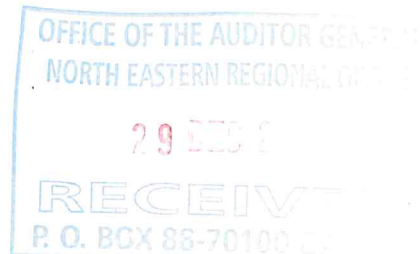
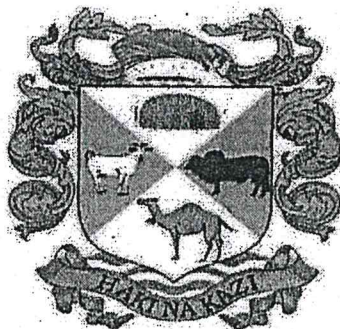
OF

THE AUDITOR-GENERAL

ON

MUNICIPALITY OF GARISSA

**FOR THE YEAR ENDED
30 JUNE, 2023**



MUNICIPALITY OF GARISSA
P. O BOX 563-70100 GARISSA

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2023

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

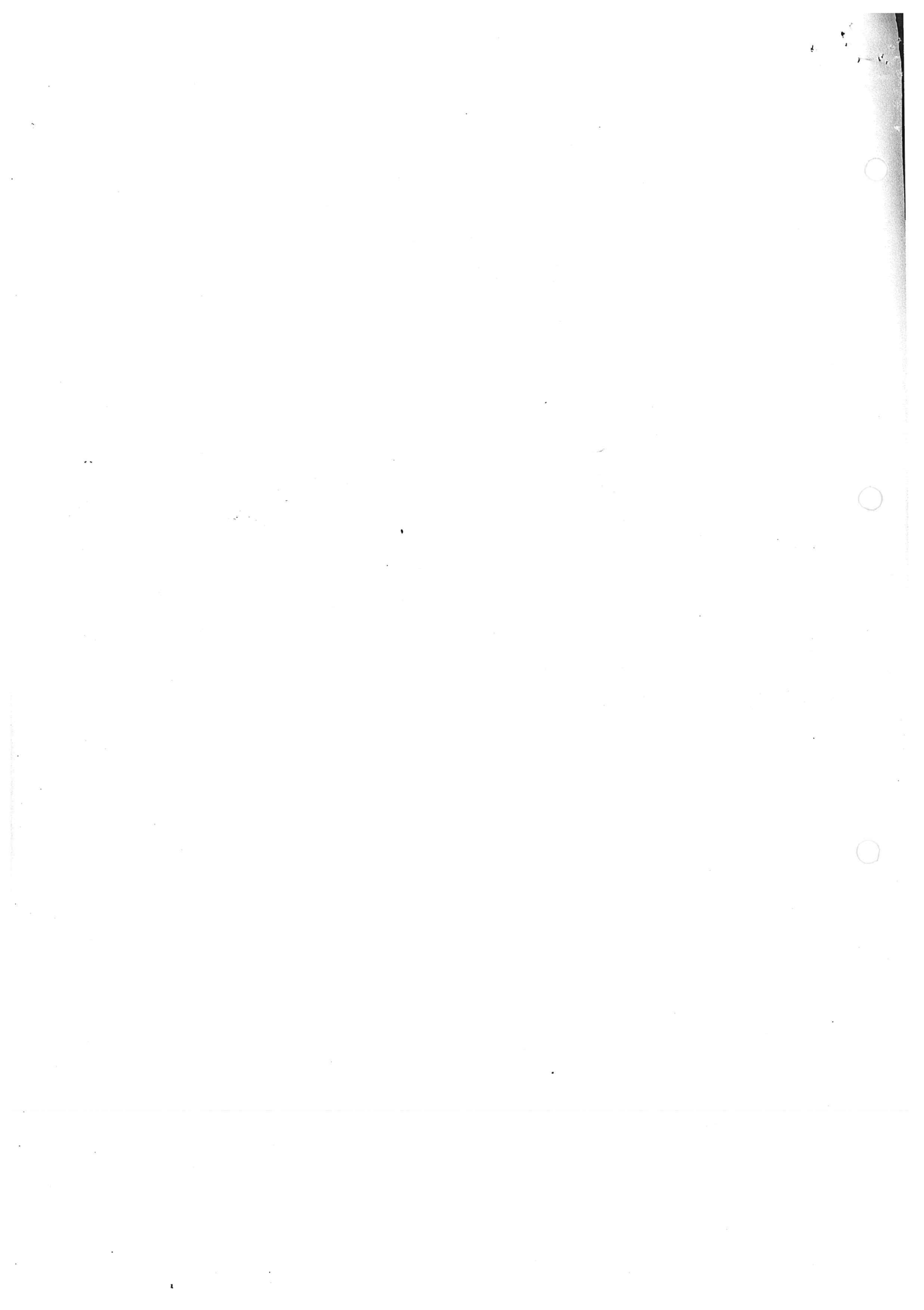


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1. Acronyms & Glossary of Terms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Heath Act
Fiduciary Management	Key management personnel who have financial responsibility

2. Key Municipality of Garissa Information and Management

a) Background in formation

Municipality of Garissa is established by and derives its authority and accountability from Urban Areas and Cities Act No.13 of 2011 and Cities and Municipal Charteron 18th April 2019. The Municipality is a Municipality of Garissa of County Government of Garissa and is domiciled in Kenya.

The fund's objective is to Provide for efficient and accountable management of the affairs of the Municipality.

2) Provide a high standard of social services in a cost-effective manner to the inhabitants of the Municipality

3) Pursue the development opportunities available in the Municipality and to institute such measures as are necessary for achieving public order and the provisions of civic amenities, so as to enhance the quality of life of the inhabitants of the Municipality

b) Principal Activities

The principal activity/mission/mandate of the Municipality is: -

- i. Promote, regulate and provide of refuse collection and solid waste management services.
- ii. Construction and maintenance of urban roads and associated infrastructure.
- iii. Construction and maintenance of storm drainage and flood controls.
- iv. Construction and maintenance of walkways and other non-motorized transport infrastructure.
- v. Construction and maintenance of recreational parks and green spaces.
- vi. Construction and maintenance of street lighting.

3. Garissa Municipality Board

Ref	Position	Name
1.	Chairperson of the Board	Ibrahim Mohamed Salat
2.	County Executive Committee Member responsible for lands ,physical planning ,housing and Urban Dev.	Mohamed H. Mohamed
3.	V/Chairperson	Ardho Mohamed Abdi
4.	Board Member2	Mogan Dahir Dagane
5.	Board Member3	Fatuma Mohamed Ali
6.	Board Member4	Bishar Abdullahi Odowa
7.	Board Member5	Aden Musa
8.	Board Member6	Fahim Ahmed
9.	Chief Officer	Abdinasir S. Yussuf

c) Key Management

Ref	Position	Name
1	Municipality Manager	Mohamed H.Osman
2	Director of Administration	Moulid M. Muhumed
3	Head of sanitation	Suada H. Shafat

d) Fiduciary Oversight Arrangements

- i) Audit and Risk Management Committee
- ii) County Assembly committees
- iii) Committees of the Senate

e) Registered Offices

Municipality of Garissa
P.O. Box 563-70100
Garissa, KENYA

Contacts

E-mail:
info@Garissa.go.ke Website: w
ww.Garissa.go.ke Telephone
+254721132268

g) Fund Bankers

Commercial Bank
P.O. Box 143-70100
Garissa, Kenya

Equity Bank Garissa Branch
P.O Box 700-70100
Garissa, Kenya.

h) Independent Auditor

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

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

i) Principal Legal Adviser

The Attorney General State Law






Office Harambee Avenue

P.O. Box 40112-00200





City Square

Nairobi, Kenya

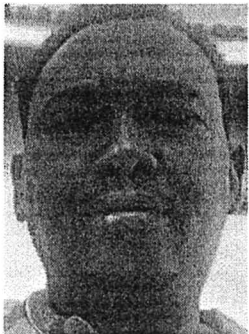

2. Municipality Board

Name	Details of qualifications and experience
	<p><u>Ibrahim M Salat-Charirman</u> Education Background: Degree in business management He has an experience of 10years in public sector He is an association of municipality</p>
	<p><u>Ardho Mohamed Abdi- Vice Chair</u> Education Background: Diploma in Business management Experience :She has a business within the municipality for over 10 years and she representing a private sector</p>
	<p><u>Magan Dahir - Member</u> Education Background: Degree in Business Management Experience: A business man, representing registered neighborhood association .</p>
	<p><u>Fatuma Mohamed Ali- Member</u> Education Background: Diploma in business management Experience: <i>She</i> is business woman registered association She has an experience of 12 years informal sector</p>
	<p><u>Bashir Abdullahi Odhwa- member</u> Education Background: Degree in Education Experience: He is representing a professional association in the area and he is currently the chairman of KNUT.</p>

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

	<p>Aden Musa-Member Education: Degree in business management & MBA Finance, Experience: 7 years in Public Service</p>	
	<p>Fahim Ahmed-Member Education: Diploma in business management He has business within municipality over 20 years</p>	
	<p>Hon. Mohamed H. Mohamed CECM Lands, Physical Planning & Urban Development Education: Degree in business management Experience : in public service for over 15 years</p>	
	<p>Abdinasir S. Yussuf Chief Officer Lands, Physical Planning & Urban Development Education: Degree in Business Administration/ Post Graduate Diploma in Education Experience:20 Years in public services</p>	

4. Management Team

Name	Details of qualifications and experience
	<p>Mohamed H. Osman CEO- Municipality Education Background: Bachelor of Business Management Attended a Senior management course in K Experience: over (10) years in public service</p>
	<p>Moulid Mohamed - D/Director of Administration. Education: Bachelor of Business Management Experience: 10 Years in Public Service</p>

5. Municipality Board Chairperson's Report

The office of the Chairperson for the municipality is responsible for the Monitoring and, where appropriate, regulating municipal services where those services are provided by service providers other than the Board of the Municipality

a. Changes in municipality Management Committee

The Board of the Municipality shall be composed of nine (9) members. Four (4) members of the Board of the Municipality shall be appointed by the County Executive Committee member for Urban Development with the approval of the County Assembly.

Five (5) members of the Board shall be nominated by the following umbrella bodies and appointed by the County Executive Committee member for Urban Development with the approval of the County Assembly.

- (a) An umbrella body representing professional associations in the area.
- (b) An association representing the private sector in the area.
- (c) A cluster presenting registered associations of the informal sector in the area.
- (d) A cluster representing registered neighborhood associations in the area.
- (e) An association of the Municipality.

b. Review of the Fund's Performance

The program has touched the lives of many since it has improved the drainage system and ensured that the Biashara Road that used if rainy season does despite the heavy rain experienced in the last two financial years, it has controlled waste management within the municipality.

c. Future Outlook of the municipality

The office of the Chairperson of Garissa Municipal Board Request H.E the Governor Garissa to allocate more funds to the department as the department deals with many sensitive issues like fire brigades and waste management that requires daily operations and saving lives. Also, the Garissa County Government under the leadership of H.E the Governor intends to develop professional is man skills of the municipal team.

Signed: 

Ibrahim Mohamed Salat

Chairperson-Municipality of Garissa

6. Report of the Municipality Manager

Garissa Municipality Fund was established by and derives its authority and accountability Garissa Municipal Charter as well as Urban Areas and Cities Act in 2018

The challenges faced by the municipality include:

The following are among the challenges faced by the municipality: -

- I. Non-payment of taxes by the local community
- II. Budget constraints that leads to lack of supervision and adequate management of the department.
- III. Delay in the release of the funds. This causes leads the department not to make appropriate measures to control problems like floods and waste control.
- IV. Lack of administrative capacity to fully tap revenue sources

Way forward

- I. The department is developing by-law to ensure that community members pay taxes at appropriate times
- II. Through the board the department has requested the treasury to release funds to the department because it dealing with crucial issue.
- III. The municipality is planning to work closely with revenue to train its personnel's and it mode of revenue collection through M-pesa payments to reduce corruption cases on revenue collection.

Name: MOHAMEDH. OSMAN

Manager Municipality



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

Introduction

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

- d. Provide quality physical infrastructure.
- e. Urban planning.
- f. Urban governance and administration
- g. Town beatification

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban Planning	To control urban development	To create orderly development in urban Areas	Number of developments Conforming with Rules and regulations Governing urban development	In FY under review We increased Housing unit
Program2	-	-	-	-

8. Corporate Governance Statement

The Garissa Municipality is committed to good corporate governance, which promotes the long-term interest of the county Government of Garissa and other stakeholder, strengthens Board and Management accountability and helps build public trust.

- h. The Board members are appointed by the county Governor of Garissa to oversee the board activities and overall success of the board in order to discharge its mandate and the Board members may be removed under subsection (1)–
 - a. By the county governor
 - b. By the board, supported by votes of at least two-thirds of members of the board
 - c. Upon petition by the resident of a municipality.
- i. Under the provision of Urban areas and cities act 2011, the role and function are as follows: -
 - I. Oversees the affairs of the municipality
 - II. Develop and adopt policies, plan, strategies and programs and may set target for delivery of services
 - III. Formulate and implement an integrated development plan
- j. Induction and training, Municipality Board members and member's performance, Garissa board members were inducted and attended several trainings in order to gain skills and experience that will help to discharge duties.
- k. Number of Municipality Board meetings held and the attendance to those meetings by members
- l. Board remuneration, the members shall not receive a salary from the board but shall be paid sitting allowance.

9. Management Discussion and Analysis

Municipality of Garissa has continued to grow over the years and the management has put measures in place to safeguard risk, the management has ensured that we comply with statutory requirement relating to the function of the municipality

a. Operational

The board received a total of Ksh 6,000,000 support from the county government of Garissa.

b. Key projects or investments

- a) Sankuri junction KMTCC Road Phase (1) 54,316,980 ksh
- b) Roundabout –Qorehey road phase (1) 51,952,608.40 ksh

c. compliance

The fund complied with the following listed requirements but limited

- 1) Municipality of Garissa charter 2018
- 2) PFM act 2012
- 3) PPD act 2015
- 4) Cities and municipalities act

d. Major challenges

- 1) Budget constraints from county government
- 2) Shortage in capacity building in order to understand the environment and working procedures of municipalities
- 3) Understaffing hence impact negative the effectiveness of delivery services

e. Conclusion

We appreciate the unrelenting support from the board of trustee management of staff and the county government development partners and the key stakeholders

10. Environmental and Sustainability Reporting

The Board was involved in corporate social responsibility during tree planting day. The Board is looking forward to being engaged in CRC activities in the financial year 2023/2024.

1. Sustainability strategy and profile

the board has engaged county executive as well as the county assembly for allocation of budget to fund its operation. The board is reaching out to other donors and well-wishers to partner for a common goal.

2. Environmental performance

Discussions are underway to embark on environmental conservation project within the Municipality of in collaboration with the county department on environment.

3. Employee welfare

Currently hiring of staff of the municipality of Garissa is done through the county public service board in a competitive manner. Advertisement through the county web as well the Daily nation is place to for qualified candidates to place their application for consideration. Successful candidates are taken through induction and continues improvement of skills by either in-house training annually.

4. Market place practices

Our markets are well planned to give room for smooth flow of traffic and people with ease. There visible signboard spread all over the markets to direct users on the dos and don'ts

a) Responsible competition practice.

All business taking place within municipality are registered and frequent checks instituted to ensure every business do what it has been authorized.

b) *Responsible Supply chain and supplier relations*

Contactors awarded tenders fairly as well paid in good time. Proper communication to suppliers through advertisement in our daily nation.

c) *Responsible marketing and advertisement*

Outline efforts to maintain ethical marketing practices

d) *Product stewardship*

there frequent but in interval assessment to ensure products and services offered to the residence are of high quality and right quantity.

5. *Community Engagements*

The board of the municipality engage community through citizen fora on quarterly basis to identify projects of beneficial to the residents as well giving them feedback on the progress of the Municipal programs.

11. Report of the Municipality Board Members

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Fund affairs.

Principal activities

The objective to provide an enabling environment for development of economic opportunities available within the municipality and to institute measures necessary for achieving public order while enhancing provision of civic amenities and access to basic social services

Results

The results of the Fund for the year ended June 30, 2023 are set out.

Trustees

The members of the Board of Trustees who served during the year are shown (*refer to the key municipality of Garissa information and management page*). The changes in the Board during the financial year areas shown below:

Auditors

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

By Order of the Board

Member of the Board

Date:

Name: **MOHAMED H. OSMAN**

Secretary of the Board

12.Statement of Management's Responsibilities

Section 180 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer of the Municipality established by Garissa County Municipal Fund Act 2018 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, 2023. This responsibility includes:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 mis-statements, 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 judgment 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, 2023, 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 Municipality Manager has

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

Assessed the Municipality's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

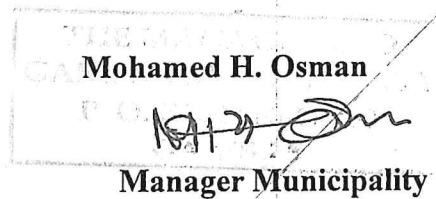
Approval of the financial statements

The Garissa Municipal's financial statements were approved by the Board on 30th June 2023 and signed on its behalf by:

Ibrahim Mohamed Salat



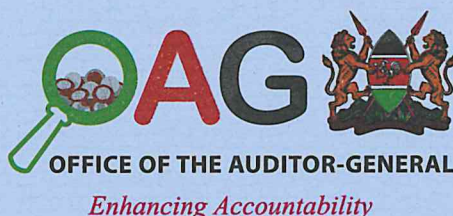
Chairperson Municipality



Mohamed H. Osman
Manager Municipality

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF GARISSA FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Municipality of Garissa set out on pages 1 to 34, which comprise of the statement of financial position as at

30 June, 2023 the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Municipality of Garissa as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Urban Areas and Cities Act, 2011 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Municipality of Garissa Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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. There were no key audit matters to report in the year under review.

Other Matter

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Failure to Prepare Estimates of Income and Expenditure

Although the statement of comparison of budget and actual amounts was prepared and included in the financial statements, Management did not submit the estimates of income

and expenditure to the County Executive Committee Member for finance. This was in contravention of Section 149(2) of the Public Finance Management Act, 2012 which provides that an Accounting Officer shall, in respect of the entity concerned prepare estimates of expenditure of the entity in conformity with the strategic plan of the entity and submit the estimates of an entity, which is not a county corporation to the County Executive Committee Member for finance.

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

2. Transfer of Functions to the Municipality

Review of the operations of the Municipality revealed that many of the functions stipulated under Sections 2 and 7 of the Municipal Charter, 2018 which established the Municipality were carried out by the County Executive of Garissa. These include land urban development, revenue collection, construction and maintenance of bus and taxi stands, regulation of outdoor advertising, construction, maintenance and regulation of Municipal markets and abattoirs, promotion, regulation and provision of Municipal sports and cultural activities, promotion regulation and provision of animal control and welfare among other functions.

In the circumstances, the effectiveness of services delivery by the Municipality and the achievement of the objectives and development goals envisaged in the Municipal Charter could not be confirmed.

3. Failure to Prepare an Integrated Development Plan and Strategic Plan

The Municipality was established without an approved Integrated Development Plan. The Integrated Development Plan is a critical road map in achieving the development goals for an urban area. Further, review of the Municipality strategic plan revealed that the plan expired in the year 2022 and the Management did not initiate the process of preparation of a new strategic plan. This was in contravention of Section 39(1) of the Urban Areas and Cities Act, 2011 which states that a Board or town committee shall, within the first year of its election, adopt a single, inclusive strategic plan for the development of the city or urban area for which it is responsible.

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

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

REPORT ON THE 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 matter 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

Lack of Risk Management Policy and Information Technology Policy

Review of the Municipality's Information Communication Technology (ICT) environment revealed that there was no approved ICT Policy and Disaster Recovery Plan in place during the year. Further, the Municipality operated without a documented risk management policy framework, contrary to the requirements of the Treasury Circular No. 3/2009 of 23 February, 2009 which requires all heads of public institutions to develop and implement risk management framework as fundamental step towards establishing an accountable and innovative public service.

In the circumstances, the effectiveness of the risk management and overall governance of the Municipality could not be confirmed.

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

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

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

The 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, the 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

The audit objectives are to 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 the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Municipality's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Municipality's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Municipality to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Municipality to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and

other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

08 January, 2024