

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

MUNICIPALITY OF HOMA BAY

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

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1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100



MUNICIPALITY OF HOMA BAY

County Government of Homa Bay

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024

Contents

1. ACRONYMS & GLOSSARY OF TERMS	II
2. KEY MUNICIPALITY INFORMATION AND MANAGEMENT	III
3. MUNICIPALITY BOARD	VI
4. KEY MANAGEMENT TEAM.....	VII
5. MUNICIPALITY BOARD CHAIRPERSON'S REPORT.....	VIII
6. REPORT OF THE MUNICIPAL MANAGER.....	IX
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR THE FY 2023/2024.....	XI
8. CORPORATE GOVERNANCE STATEMENT	XIII
9. MANAGEMENT DISCUSSION AND ANALYSIS	XV
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	XVI
11. REPORT OF THE MUNICIPALITY BOARD MEMBERS.....	XVIII
12. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	XIX
13. REPORT OF THE INDEPENDENT AUDITOR – MUNICIPALITY OF HOMA-BAY	XXI
14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024.	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2024	2
16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 TH JUNE 2024.....	4
18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2024	5
19. NOTES TO THE FINANCIAL STATEMENTS.....	6
20. APPENDICES	28

1. Acronyms & Glossary of Terms

PSASB	Public Sector Accounting Standards Board
FY	Financial Year
OSHA	Occupational Safety & Health Act
Fiduciary Management	Key management personnel who have financial responsibility in the entity.
CIDP	County Integrated Development Plan

2. Key Municipality Information and Management

a) Background information

Homa Bay Municipality is established by and derives its authority, accountability from Urban Areas and Cities Act No. 13 of 2011 (amended 2019), Cities, and Municipal Charter on 27th March 2019. The Municipality is under the County Government of Homa Bay and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Municipality is to perform the following functions: -

- i. Promotion, regulation and provision of refuse collection and solid waste management services
- ii. Promotion and provision of water and sanitation services and infrastructure (in areas within the Municipality not served by the Water and Sanitation)
- iii. Construction and maintenance of urban roads and associated infrastructure
- iv. Construction and maintenance of storm drainage and flood controls.
- v. Construction and maintenance of walkways and other non-motorized transport infrastructure.
- vi. Construction and maintenance of recreational parks and green spaces
- vii. Construction, maintenance and regulation of municipal markets and abattoirs
- viii. Construction and maintenance of fire stations; provision of fire-fighting services, emergency preparedness and disaster management
- ix. Promoting and undertaking infrastructural development and services within the Municipality

VISION: A Municipality of choice for all to invest, work, live and prosper.

MISSION: To make Homa Bay Municipality more attractive and sustainable through effective policy formulation and implementation.

c) Key Management

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

- Board of Management
- Chief Officer Housing and Urban Development in charge of Municipalities
- Accounting Officer/Municipality Manager

d) Fiduciary Management

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

Ref	Position	Name
1	Municipality Manager	Mr Mark Oketch
2	Chief Officer- Lands, Housing and Urban Development	Mr Charles Obondo
3	Accountant	CPA Martin Ombewa

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

The County Government of Homa Bay has a functional audit unit that carries out internal audit on the Municipality. In addition, the Municipality has a resident internal auditor seconded to it by the internal audit unit.

ii) County Assembly committees

The County Assembly of Homa bay carries out its oversight responsibilities on the Municipality through its Lands, housing and urban development committee and the Public Accounts Committee both of which the Municipality reports to as and when required.

iii) Committees of the Senate

The Municipality is answerable to the Senate Public Accounts Committee before which it appears to answer to any queries or matters raised concerning its financial management.

f) Registered Offices

P.O.BOX 469 - 40300
HOUSE NUMBER 14
PUBLIC SERVICE BOARD ROAD
HOMA BAY, KENYA

g) Contacts

Telephone: (+254) 724 589 498

E-mail: oketchmar@gmail.com & municipalityhomabay@gmail.com

Website: www.homabaycounty.go.ke

h) Bankers

Commercial Banks

1. Kenya Commercial Bank

Haile Selassie Avenue

P.O.BOX 60000

City Square 00200

Nairobi, Kenya

2. Equity Bank

Homa Bay Branch

P.O.Box 75104-40300

Homa Bay, Kenya

i) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

*County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024*

3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	Dr. Antipas A. Nyambok	Board Chair Person
2	Mrs Dorcas Odada	Vice Chair Person
3	Mr Mark Oketch	Board Secretary- Municipal Manager
4	Mr Charles Owilli	Board Member
5	Mrs Esther Okello	Board Member
6	Mr Collins Okoth	Board Member
7	Mr Geoffrey O. Nyasuda	Board Member
8	Aulgah Baja Dimo	Board Member
9	Mr Charles Obondo	Board Member

*County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024*

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	Mr Mark Oketch	Accounting officer/Manager of the municipality responsible for overseeing all municipality operations and reporting to the board of trustees
2.	CPA Martin Ombewa	Accountant

5. Municipality Board Chairperson's Report

The Municipality of Homa Bay is a creation of the Urban Areas and Cities Act, 2011 that operationalized Article 184 of the Constitution by providing for the classification, governance and management of urban areas and cities, the criteria for establishing urban areas and principle of governance and participation of citizen and for connected purposes.

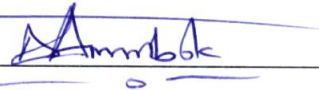
In the financial year 2023/2024, the Municipality of Homa Bay had printed estimates totalling to KES 48,058,993 of which KES 28,808,993 for recurrent expenditure while KES 19,250,000 was meant for capital expenditure.

The Municipality managed to Renovate the Homa Bay Municipal Market by Constructing an additional Canopy.

The Municipality faced a myriad of challenges including; underfunding from the County Government, Delayed payment of Suppliers and slow procurement processes.

The Board is a young entity within the structure of County Government of Homa Bay with a vibrant team and big mandate that can be actualized with better funding by County Government, and support from development partners and donors.

Signed: _____



Name: _____ Dr. Antipas A. Nyambok

Board Chair Person

6. REPORT OF THE MUNICIPAL MANAGER

The Board of the Municipality of Homa Bay and the County Government of Homa Bay work together towards having proper Municipal plans that are prepared and implemented as per the County Governments Act of 2012, the Urban areas and Cities Act of 2011 (amended 2019), and the Homa Bay Municipality Charter. The Integrated Urban Development Plan of Homa Bay will ensure the Municipality is able to deal with the effects of urbanization such as urban sprawl, rise of informal settlements and uncontrolled developments.

The Municipality's objective is to provide overall policy and strategic direction for the transformation of the Homa Bay Municipality and to promote effective development, management and maintenance of all municipal facilities.

In the financial year 2023/2024, the Municipality of Homa Bay had printed estimates totalling to KES 48,058,993 of which KES 28,808,993 for recurrent expenditure while KES 19,250,000 was meant for capital expenditure.

The Municipality's principal activities are as follows;

1. Enhanced service delivery to the residents of Homa Bay Municipality
2. Build and maintain functional infrastructure for the residents of the Municipality
3. Provide a framework to facilitate security of land tenure within the Municipality
4. Identify and analyse planning issues and challenges, harness existing opportunities and promote intervention measures for mitigating the planning issues and challenges.
5. Promote appropriate land uses, locations and permissible densities. Similarly, the entity will begin to provide a policy framework for socio-economic investments, economic use of space, infrastructure services and public facilities within the Municipality.

Since establishment, the municipality has achieved several high impact projects such as the Construction of Homa Bay Municipal market, Completion of Bitumen standard of the Absa bank to St Paul's Hospital Road and improvement of the JNC19 to Tom Mboya link road (County Assembly) both of which are at 100% completion. Construction of Bus Park and Fencing of Homabay Municipal Market.

In addition, the Municipality's achievement for the year 2023/2024 were as follows:

1. Renovation of Homabay municipal market through construction of an additional canopy. (100% Complete).

The Municipality faced a myriad of challenges during the period including:

1. Inadequate funding by the county Government
2. Lack of understanding of provisions of UACA and the Homa Bay Municipality Charter by Key Stakeholders
3. System bureaucracy slowing down procurement and other processes
4. The Municipality is yet to tap full potential of all its revenue streams

County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024

5. Inadequate office space, supervisory vehicle and other work tools
6. Failure to relinquish some of the municipality's functions to it by other county departments.

Some of these challenges have however been addressed in the current financial year. For instance, the County has employed the technical staff needed and seconded some from other departments.

Financially there is a positive outlook as the County is working on increasing the Municipality's budget to cater for all planned projects in the CIDP. In addition, the Municipality is expected to receive additional funding from the World Bank (Urban Development Grant) in relation to the Kenya Urban Support Programmed. This will go a long way in enabling the entity to achieve its objectives and perform some of its development projects.

Signed: _____

Mark Odhiambo Oketch

Municipality Manager

Municipality of Homabay



*County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024*

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

The key development objectives of the Homa Bay Municipality for the 2023 2024 plan are to:

- a) Provide quality physical infrastructure.
- b) Provide urban planning services
- c) Provide urban governance and administration services
- d) Provide proper environmental management services

Progress on attainment of Strategic development objectives

Program	Objective	Outcome	Indicator	Performance
Policy Planning and administration services	To provide overall policy and strategic direction for the transformation of the Homa Bay Municipality	Well-staffed, equipped and operational municipal office	Number of traders and people in the market	Staff were paid on time and operations funded to 90%
Public Works and Infrastructure Development Services	To promote effective development, management and maintenance of all municipal facilities and roads.	Well-developed and maintained infrastructure for public use.		In the FY 2023/24 the Absa bank to St Paul's Road & Construction of canopy at the market was completed to 100%
				The rehabilitation of the bus park and fencing of the market are at 80% & 50% respectively
Housing and Urban Development Services	To promote proper planning and development of urban areas within the municipality.	Well planned, orderly and well-developed Municipality		Not Achieved due to inadequate budget
Environmental Management Services	To promote a proper waste disposal and clean environment	A well-maintained clean environment		Not Achieved due to inadequate budget

County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024

e. The challenges experienced in achieving the object of the entity during the period included:

1. Inadequate funding by the county Government
2. Lack of understanding of provisions of UACA and the Homa Bay Municipality Charter by Key Stakeholders
3. System bureaucracy slowing down procurement and other processes
4. The Municipality is yet to tap full potential of all its revenue streams
5. Inadequate office space, supervisory vehicle and other work tools
6. Failure to relinquish some of the municipality's functions to it by other county departments.

The opportunities available to the Municipality include Waste management and creation of order through proper relocation of structure and control of land use within the municipality among others

8. Corporate Governance Statement

APPOINTMENT OF BOARD MEMBERS

Members of the Municipal Board were vetted by the County Assembly, their appointment gazetted through Gazette Notice No 6470 dated 9th July 2019 and sworn in office on 29 August 2019.

BOARD REMUNERATION

Board Members are paid sitting allowances per the Salaries and Remuneration Commission circulars and guidelines.

BOARD INDUCTION AND TRAINING

The outgoing Homa Bay Municipal Board has been offered induction and capacity building training funded under the Kenya Urban Support Program.

ETHICS AND CONDUCT

Existing Government Policies guide ethics and Conduct of Members of the Board of the Municipality.

BOARD MEMBER PERFORMANCE/GOVERNANCE AND AUDIT

The Board of Homa Bay Municipality works through 4 committees and has so far formulated the Homa Bay Municipality Integrated Development Plan, the Homa Bay Municipality Strategic Urban Development Plan, Homa Bay Municipality Solid Waste Management Policy and Homa Bay Municipality bylaws. The Board just like every other spending entity within the County Government is oversighted by the Homa Bay County Assembly and Audited by Internal and External Government Auditors. The Board has not had any cases of conflict of interest since inception.

BOARD MEETINGS

The Homa Bay Municipal Board has held quarterly full Board Meetings and public fora engagements as provided for in the Urban Areas and Cities Act and special Board meetings as need arose. A total of 4 full board meetings, 2 public fora meetings and 1 special Board meeting were held in the last financial year.

BOARD CHARTER

The Board was granted a Charter as an instrument of transfer of functions to the Urban Institution. The Municipal Charter was granted by the H.E the Governor, approved by the County Assembly and gazetted through Kenya Gazette Supplement No.6 on 27th March 2019.

ROLES AND FUNCTIONS OF THE BOARD

- Provide for efficient and accountable management of the affairs of the Municipality.
- Provide for a governance mechanism that will enable the inhabitants of the Municipality to—
 - (i) Participate in determining the social services and regulatory framework which will best satisfy their needs and expectations.
 - (ii) Verify whether public resources and authority are utilized or exercised, as the case may be, to their satisfaction.
 - (iii) Enjoy efficiency in service delivery.
- Develop or adopt policies, plans, strategies and programmes and set targets for service delivery
- Formulate and implement an integrated development plan
- Control land use and sub division, land development and zoning by public and private sector for any purpose
- Promote and undertake infrastructural development within the Municipality
- Administer and regulate the Municipality's internal affairs
- Promote safe and healthy environment
- Monitor the impact and effectiveness of any services, policies, programmes or
- Provide a high standard of social services in a cost-effective manner to the Inhabitants of the Municipality.
- Promote social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the Municipality in order to
- Perform such other functions as may be delegated to it by the County Government.

POWERS, OBJECTS AND FUNCTIONS OF THE MUNICIPALITY

Powers of the Municipality

The Municipality of Homa Bay shall have all the powers, general and special, Governmental or proprietary, expressed or implied, which may be possessed or assumed by municipalities under the Urban Areas and Cities Act, the County Government Act and the County of Homa Bay By-laws.

No enumeration of specific powers in the Charter shall be held to be exclusive.

All such powers shall be exercised in the manner prescribed in the Charter, or, if not prescribed herein, in such manner as the Board of the Municipality may determine, or, unless a contrary intent appears in this Charter or in the By-laws and Resolutions of the Board of the Municipality, in such manner as may be provided by the County of Homa Bay Bylaws.

9. Management Discussion and Analysis

During the period, The Municipality of Homa Bay oversaw the Construction of ABSA bank to St Paul's Hospital Road to completion, initiated rehabilitation of the Homa Bay bus park and fencing of the Homa bay municipal Market, projects both of which are near completion. The Municipality also imitated and completed the construction of an additional canopy over the Homa Bay municipal market.

The Municipality operates and spends funds within the requirements of the Public Finance management Act and other relevant laws.

10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

The Board was created to give effect to article 184 of the constitution, which provides for the classification, governance and management of urban areas and cities. Ultimately, the Board is mandated to make Homa Bay Municipality more attractive and sustainable through effective policy formulation, implementation, and strategic direction for the transformation of the Homa Bay Municipality and to promote effective development, management and maintenance of all municipal facilities.

The County Government of Homa Bay through the county assembly has continued to ensure sustainability of the Municipality through allocation of resources to fund its operations and continued development of more infrastructure and provision of services.

2. Environmental performance

The Municipality of Homa Bay Board relies on the County Government of Homa Bay's solid and waste management policy to guide its practices in environmental management.

3. Employee welfare

Employees of the Municipality of Homa Bay Board are hired by the County Public Service Board in line with the County Government Act except for Board members whose appointment procedure is provided for in the Urban Areas and Cities Act. The legislative frameworks take care of gender ration and stakeholder engagements in the process. The Board members and staff are taken on periodic capacity building training to improve their skills and managing careers, appraisal and reward systems. The Board is also in compliance with Occupational Safety and Health Act of 2007 (OSHA).

4. Market place practices

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors.

b) Responsible Supply chain and supplier relations

The Municipality follows the laid down procurement laws in procurement of its goods and services. All qualifying tenders are advertised and bidders evaluated competitively and in a fair manner. We prided ourselves in payment of suppliers in time.

5. Community Engagements

The Municipality of Homa Bay engaged in several community clean up exercises within Homa Bay Town in collaboration with the county government and the local community as its contribution towards maintenance of a clean environment.

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, 2024, which show the state of the Municipality affairs.

Principal activities

The principal activities of the Municipality are:

- i. Build and maintain functional infrastructure for the residents of the Municipality
- ii. Provide framework to facilitate security of land tenure within the Municipality
- iii. Identify and analyse planning issues and challenges, harness existing opportunities and promote intervention measures for mitigating the issues and challenges identified.
- iv. Promote appropriate land uses, locations and permissible densities. Additionally, the Municipality will begin to provide a policy framework for socio-economic investments, economic use of space, infrastructure services and public facilities within the Municipality.
- v. Enhanced service delivery to the residents of Homa bay Municipality.

Performance

The performance of the Municipality for the year ended 30th June 2024 are set out on page 1

Board Members

The members of the Board who served during the year are shown on page VI. The changes in the Board during the financial year are as shown below:

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: Mark Odhiambo Oketch

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 City/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, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 the Municipality's transactions during the financial year ended June 30, 2024, 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.

County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024

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 Municipality's financial statements were approved by the Board on 29/11 2024 and signed on its behalf by:



Name: Dr. Antipas A. Nyambok
Chairperson of the Board



Name: Mark Odhiambo Oketch
Accounting officer of the Board



REPUBLIC OF KENYA



Enhancing Accountability

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

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

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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.

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 Municipality of Homa Bay set out on pages 1 to 29, which comprise the statement of financial position as at 30 June, 2024, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Municipality of Homa Bay as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0. Non-Compliance with the Prescribed Reporting Framework

Review of the financial statements revealed the following anomalies:

- i. The footnote to the statement of financial performance erroneously indicates that notes to the financial statements are set out on pages 20 to 24. The notes are actually set out on pages 6 to 27.
- ii. The statement of financial position was not prepared using the format provided in the prescribed reporting template. The statement balances total assets with total net assets and liabilities, contrary to the prescribed format in which Net Assets (A-B) balances with Net Assets/Equity.
- iii. The statement of cash flows notes against receipts and payments items which are not required by the prescribed template.
- iv. Note 12 on property, plant and equipment does not comply with the format provided in the prescribed reporting template as it does not show depreciation and impairment for each financial year, and reflects "NDV" and "Total Assets Before Depreciation" which are not provided for in the template. Further, the Note presents amounts for three (3) financial years, namely 2021/2022, 2022/2023 and 2023/2024, contrary to the financial reporting template which prescribes two (2) financial years: current and comparative.

Therefore, Management was in violation of Section 164(1) of the Public Finance Management Act, 2012, which requires accounting officers of county government entities to prepare financial statements in formats that comply with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

In the circumstances, the financial statements do not comply with the accounting standards as prescribed by the Public Sector Accounting Standards Board. Also, Management was in breach of the law.

2.0. Inaccuracies in the Financial Statements

The statement of financial performance reflects public contributions and donations amount of Kshs.1,194,559 under revenue from non-exchange transactions. However, as disclosed in Inter-Entity Transfers schedule at Appendix 1, the amount was a development grant and, therefore, ought to have been accounted for in the statement of changes in net assets, not statement of financial performance.

Further, the statement of comparison of budget and a actual amounts reflects transfers from the County Government original budget, adjustments, final budget and actual on comparable basis amounts of Kshs.48,058,993, Kshs.(4,058,764), Kshs.44,000,229 and Kshs.25,751,980 respectively. However, these amounts include respective development budget and actual amounts of Kshs.19,250,000, Kshs.(2,006,462), Kshs.17,243,538 and Kshs.24,853,186. This is not correct as the amounts reflected under revenue in the statement are supposed to be recurrent only. Further, the statement does not show surplus/(deficit) amounts for original budget, adjustments, final budget and performance difference.

In addition, the statement of cash flows reflects net cash flows from investing activities (capital expenditure) amount of Kshs,4,490,867, while the statement of comparison of budget and actual amounts indicates actual capital expenditure of Kshs.898,794, resulting in an unreconciled variance of 3,592,073. Further, as Note 17 on property, plant and equipment shows additional assets during the year amount of Kshs.4,989,967 which differs with the above two (2) reported amounts, resulting in unexplained variances of kshs.499,100 and Kshs.4,091,173 respectively.

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

3.0. Unsupported Budget Adjustments

The statement of comparison of budget and actual amounts reflects budget adjustments amounting to Kshs.4,058,764 which was not supported by information on actual expenditure and outstanding liabilities or commitments against the planned activities as at the date of the request for supplementary allocations.

Further, the estimates lacked footnotes explaining the reasons for the variations and the impact or implications for the affected programmes. This was contrary to Regulation 39(6) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the request for supplementary budget shall be presented in a format that

facilitates comparison with the original budget and shall contain all the information necessary to enable a decision on the application to be reached.

In addition, the supplementary budget provided was not supported with a memorandum from the Accounting Officers to the County Treasury explaining the additional funding requests, contrary to Regulation 39(7) of the Public Finance Management (County Governments) Regulations, 2015, which provides that the County Government entity requesting additional funds through a supplementary budget process shall submit a memorandum to the County Treasury, on a date determined by County Treasury.

In the circumstances, the accuracy and completeness of the budget adjustments amount of Kshs.4,058,764 could not be confirmed.

4.0. Lack of Ownership Documents - Property Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.270,226,019 which, as disclosed in Note 12 to the financial statements, comprises land and buildings, roads and infrastructure, computers and printers, and furniture and fittings. However, except for official search showing that a plot of land belongs to the Municipality, Management did not provide evidence that these assets belonged to the Municipality.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.270,226,019 could not be confirmed.

5.0. Failure to Maintain a Deposits/Retention Bank Account

The statement of financial position does not reflect any deposits and retention balance. The Municipality did not maintain a deposits/retention bank account, cash book and registers showing the expenditure relating to retention money, despite it implementing into several construction contracts. In addition, schedules showing respective payee balances at the end of the financial year were not provided for audit.

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

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis amount of Kshs.44,000,229 and Kshs.25,751,980

respectively, resulting in underfunding of Kshs.18,248,249 or 41% of the budget. Similarly, the Municipality spent Kshs.24,853,186 against an approved expenditure budget of Kshs.26,756,691, resulting in an under-expenditure of Kshs.1,903,505, or 7% of the budget.

The underfunding and under-expenditure affected planned activities and may have impacted negatively on service delivery to the residents of the Municipality of Homa Bay.

My opinion is not modified in respect of this matter.

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 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

Prior Year Matters

As indicated in the Progress on Follow Up of Auditor's Recommendations section of the financial statements, various prior year audit issues had been resolved as at 30 June, 2024. However, Management has not provided evidence of how the issues were resolved. Further, one issue on budgetary control and performance remained unresolved as 30 June, 2024, and Management has not provided satisfactory reasons for the delay in resolving this prior year audit issue.

Other Information

The Management is responsible for the other information set out on pages iii to xx which comprises Key Entity Information, Municipality Board, Key Management Team, Municipality Board Chairperson's Report, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment 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 of Homa Bay 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 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 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

1.0. Failure to Collect Own Generated Revenue

The statement of financial performance for the year ended 30 June, 2024 indicates that the Municipality was financed solely through revenue allocated by the County Government, contrary to Section 172(a) of Public Finance Management Act, 2012, which states that 'an urban area or city may also be funded through revenue arising from rates, fees, levies, charges and other revenue raising measures which is retained by the urban area'. Further, conferment of municipal status may have been made without satisfying criterion of demonstrable revenue collection or revenue collection potential, contrary to the provision of Section 9(3)(c) of the Urban Areas and Cities Act, 2011.

In the circumstances, Management was in breach of the law and the Municipality may not achieve its objectives and goals as outlined in the Charter.

2.0. Upgrading to Bitumen Standards of the ABSA Bank Junction to Department of Health Headquarters Loop and St. Paul's Catholic Church Road

The statement of financial position reflects property, plant, and equipment balance of Kshs.270,226,019 which, as disclosed in Note 12 to the financial statements, includes additions during the year amounting to Kshs.4,490,867 for roads and infrastructure. Out of this, Kshs.3,140,867 was spent on settling retention money to a company which was contracted for the upgrading of the road from ABSA Bank Junction to the Department of Health Headquarters and St. Paul's Catholic Church to bitumen standards. The contract was awarded on June 14, 2022 at a contract sum of Kshs.52,998,600. It commenced on June 14, 2022, with an expected completion date of June 14, 2023.

Review of records revealed that the project was completed and handed over on June 6, 2023, and the contractor was paid the full contract sum, including the retention balance of Kshs.3,140,867, which was paid on July 18, 2023, before the expiration of the six-month defect liability period. Further, physical verification carried out during the audit in October, 2024, and as previously reported, confirmed that the project was complete and open for public use. However, it was observed that a section of the road surface was covered by heavy soil, and the side ditches along the road had been blocked due to siltation caused by rainwater. The road requires maintenance to prevent further damage.

In the circumstances, value for money of the expenditure of Kshs.3,140,867 could not be confirmed.

3.0. Delayed Rehabilitation Works at Homa Bay Main Bus Park

As previously reported in financial year 2022/2023 review of records revealed that Management contracted a company to do rehabilitation works at the Homa Bay Main Bus Park at a contract price of Kshs.14,287,556. The contract period was fifty-two (52) weeks effective from 27 May 2022 to 27 May 2023. The contractor had cumulatively been paid an amount of Kshs.8,105,732, with the first payment of Kshs.5,243,471 made in the month of December 2022 after certification of the works done by the project manager. However, a payment of Kshs.2,862,561 dated 16 June, 2023 was not supported by interim certificate indicating value of measured works done.

On 16 May, 2023, the contractor requested for extension of contact period due to delayed payment and on 17 August, 2023 the contract was terminated due to failure to deliver the project fully within the agreed timelines.

Physical verification at the time of audit in the month of October, 2024 revealed that the project remained incomplete and the contractor was not on site. It was also noted that the main Bus Park was operational and open for the public use without a certificate of practical completion and handing over report.

In the circumstances, the value for money realized from the expenditure of Kshs.8,105,732 incurred on the project could not be confirmed.

4.0. Delayed Fencing and Gabion Protection at Homa Bay Municipal Market Phase - III

As previously reported in financial year 2022/2023 an amount of Kshs.8,358,037 was incurred towards construction of market fencing and gabion protection works at the Municipal Market (Phase 3). Review of records revealed that Management awarded the contract to a local company on 27 May, 2022 at a contract sum of Kshs.21,730,982. The contract commenced on 27 May, 2022 with an expected completion date of 27 May, 2023. However, the bill of quantities was not provided for audit. The interim certificate dated 17 November, 2022 indicated that total work done amounted to Kshs.8,566,855. However, physical verification carried out at the time of audit in October, 2024 revealed that the project was incomplete and the columns had been partly erected, walling not satisfactorily done and the grills were incomplete.

In the circumstances, the value for money realized from the expenditure of Kshs.8,358,037 incurred on the project could not be confirmed.

5.0. Lack of Monitoring and Evaluation Framework and Reports

Management did not provide project status reports on non-financial performance for each individual programmes undertaken by the Municipality. Further there is no documentary evidence provided indicating development and approval of the Monitoring and Evaluation Policy. This was contrary to the Regulation 129(1) of the Public Finance Management (County Governments) Regulations, 2015, which states that the County Executive Committee Member responsible for matters relating to planning shall prescribe a framework for monitoring and reporting on non-financial performance for use by accounting officers in evaluation of programmes and projects by measuring, responsibility

for monitoring, evaluation and reporting, financial indicators which shall capture expenditures on the implementation of programmes and projects.

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

6.0. Failure to Adhere to Budget Timelines

Review of budget documents revealed that the Fiscal Strategy Paper was submitted to the County Assembly on 24 May, 2023, contrary to the Section 126(3) of the Public Finance Management Act, 2012, which states that County Executive Committee Member responsible for planning shall, not later than the 1 September in each year, submit the development plan to the county assembly. Further, the signed Budget Circular, approved Annual Development Plan, Budget Estimates, appropriation bill and appropriation act, were not provided for audit verification. In addition, it was possible to confirm if the Budget was uploaded through the Hyperion module of Integrated Financial Management system. Therefore, It is not possible to confirm if the Budget was approved within the stipulated timelines.

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

7.0. Functions not Transferred to the Municipality

The statement of Board's performance against predetermined objectives for the year under review reports that the County Executive has not transferred the functions of the Board. Further, Management discussion and analysis report states that the Board has not been charged with the responsibility of handling the projects that are financed by the Kenya Urban Support Programme (KUSP). This is contrary to Section 8(1) of the Homa Bay Municipality Municipal Charter which states that the Board shall have all the powers and perform all functions vested in the Boards of municipalities under the Urban Areas and Cities Act, County Government Act, and the Municipality by-laws.

In the circumstances, the Management of the County Government of Homa Bay was in breach of the law.

8.0. Lack of Independence of Homa Bay Municipality

The Municipality of Homa Bay was granted Municipal Charter in March, 2019 which was supposed to grant operational independence from the County Government of Homa Bay. However, review of the operations of the Municipality revealed lack of autonomy as the Municipality's budget was prepared and controlled by the County Executive and there was no budget approval by the Municipality Board. Further, the County Government has continued to perform a number of functions which were transferred to the Municipality as provided for under Paragraph 5 of the Homa Bay Municipal Charter including promotion, regulation and provision of refuse collection and solid waste management services.

This is in contravention of Section 12(1) of the Urban Areas and Cities Act, 2011, which states that the Management of a municipality shall be vested in the County Government and administered on its behalf by a Board, a Manager and staff constituted and appointed in accordance with the Act.

In the circumstances, the Management of the County Government of Homa Bay is breach of the law.

9.0. Lack of Approved Staff Establishment

Review of human resource records revealed that the Municipality establishment stood at nineteen (19) employee who were deployed from the County Executive without specific terms of engagement and conditions of service. Further, the Municipality did not provide an approved staff establishment for audit review contrary to Section B 5(2) of the County Public Service Human Resource Manual, 2013 which provides that for every recruitment it shall be considered whether the vacancy is within the authorized establishment. In addition, there was no evidence that the Municipal Manager was competitively recruited, contrary to Paragraph 29(1) of the Municipal Charter of the Municipality of Homa Bay, within Homa Bay County, Kenya, which states that the Municipal Manager shall be competitively recruited and appointed by the County Public Service Board. In the absence of an approved establishment, it was not possible to ascertain whether the County Executive was operating within optimal staffing levels.

In the circumstances, Management was in breach of the County Public Service Human Resource Manual, 2013 and the Municipal Charter of the Municipality of Homa Bay.

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 and 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

Failure to Achieve Strategic Priorities by the Municipality

The Municipality did not provide documents as evidence that it had achieved its strategic goals as stipulated in Homa Bay Municipality Integrated Urban Development Plan 2019-2024. The key deliverable is to achieve 100% on safe clean and adequate water from 15% to 100% in urban areas, establish and operationalize sewerage system to serve 80% of the residents in Homa Bay town, improve drainage system management from 5% to

100% within the municipality, to improve solid waste management from 1% to 50% in urban.

Further, the management of the Municipality did not provide evidence that it had put in place measures to Mitigate on its main Challenges of air and water pollution as stipulated in paragraphs 1.5.6.2 and 1.5.6.1 of the Homa Bay Municipality Integrated Urban Development Plan 2019-2024. Further, physical verification of the Homa Bay Town on 14 October 2024 revealed a strong stench from fish waste with no measures in place to mitigate the same.

In the circumstances, the effectiveness of governance in 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 the Management and those Charged with Governance

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

In preparing the financial statements, the 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.

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.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 December 2024



*Homa bay Municipality
County Government of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024*

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

Description	Note	2023/2024	2022/2023
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	1,470,000	3,500,000
Public contributions and donations	6	1,194,559	-
Other revenues (<i>Direct payments by County Government</i>)	7	22,833,380	18,781,737
Income from Non-exchange Transactions	8	254,041	-
Total revenue		25,751,980	22,281,737
Expenditure			
Use of goods and services	9	2,055,186	4,049,167
Staff costs	10	22,330,000	145,000
Board expenses	11	468,000	1,005,100
Depreciation for the year	12	7,428,836	-
Total expenses		32,282,022	5,199,267
Surplus/(Decifit) for the period		(6,530,042)	17,082,470

The notes set out on pages 20 to 24 form an integral part of these Financial Statements. The entity financial statements were approved on 29/11 2024 and signed by:


 Name: Mark Odhiambo Oketch
 Municipality Manager



 Name: CPA Martin Ombewa Ojere
 Head of Accounting Services
 ICPAK M/No. 27659


County Government of Homa Bay
 The Municipality of Homa Bay
 Annual Report and Financial Statements for the year ended June 30, 2024

15. Statement of Financial Position as at 30th June 2024

Description	Note	2023/2024	2022/2023
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	13	188,472	3,386,606
Receivables from Non-Exchange Transactions	8	155,441	-
Total current assets		343,913	3,386,606
Non-current assets			
Property, plant, and equipment	17	270,226,019	272,664,888
Total Non-current Assets		270,226,019	272,664,888
Total assets		270,569,932	276,051,494
Liabilities and Equity Capital			
Current liabilities			
Creditors/Suppliers Balances as at 30.06,2024	14	1,048,480	-
Represented by:			
Accumulated Surplus		269,521,452	276,051,494
Total Net assets and liabilities		270,569,932	276,051,494

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 29/11 2024 and signed by:

.....
 Name: Mark Odhiambo Oketch
 Municipality Manager
 Date: 29th November 2024



.....
 Name: CPA Martin Ombewa Ojire
 Head of Accounting Services
 ICPAK M/No. 27659
 Date: 29th November 2024



*County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2024*

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

Description	Equity Capital/Development Grant/Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2022	-	258,969,024	258,969,024
Surplus/(deficit) for the year	-	17,082,470	17,082,470
Balance as at 30 June 2023	-	276,051,494	276,051,494
Balance as at 1 July 2023	-	276,051,494	276,051,494
Surplus/(deficit) for the year	-	(6,530,042)	(6,530,042)
Balance as at 30th June 2024		269,521,452	269,521,452

Homa bay Municipality
 County Government of Homa Bay
 Annual Report and Financial Statements for the year ended June 30, 2024

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

Description	Note	2023/2024	2022/2023
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	15	1,220,000	3,500,000
Public contributions and donations	15	1,194,559	-
Total Receipts		2,414,559	3,500,000
Payments			
Use of goods and services	9	891,826	2,693,632
Staff costs	10	90,000	145,000
Board expenses	11	140,000	735,000
Total Payments		(1,121,826)	(3,573,632)
Net cash flows from operating activities	15	1,292,733	(73,632)
Cash flows from investing activities			
Renovation – Homa Bay Municipal Market	11	(1,350,000)	54,295,675
Road Construction-ABSA to St Paul	11	(3,140,867)	80,000
Net cash flows used in investing activities		(4,490,867)	(54,375,675)
Net increase/(decrease) in cash & cash equivalents		(3,198,134)	(54,449,307)
Cash And Cash Equivalents At 1 July 2023	13	3,386,606	57,835,913
Prior Year Adjustments		-	-
Cash And Cash Equivalents At 30 June 2024		188,472	3,386,606

Name: Mark Odhiambo Oketch
 Municipality Manager
 Date: 29th November 2024



Name: CPA Martin Ombewa Ojiera
 Head of Accounting Services
 ICPAK M/No. 27659
 Date: 29th November 2024



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

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	B	c=(a+b)	D	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	48,058,993	(4,058,764)	44,000,229	25,751,980	18,248,249	58.53%
Total Revenue	48,058,993	(4,058,764)	44,000,229	25,751,980	18,248,249	58.53%
Expenses						
Use of goods and services	5,163,721	(1,874,302)	3,289,419	2,055,186	1,234,233	37.52%
Board expenses	700,000	(178,000)	522,000	468,000	54,000	89.66%
Staff Costs	22,945,272	-	22,945,272	22,330,000	615,272	97.32%
Total Expenditure	28,808,993	(2,052,302)	26,756,691	24,853,186	1,903,505	92.89%
Surplus/(Deficit) for the period				-6,530,042		
Capital Expenditure	19,250,000	(2,006,462)	17,243,538	898,794	16,344,744	0.12%

Budget notes

- The reduction in budget was due to reallocation of funds to other departments by County Assembly
- The low budget utilization % is due to insufficient funds to the municipality.
- The board expenses have been spent to its full use.
- The use of goods has been utilized fully as budgeted.

19. Notes to the Financial Statements

1. General Information

The Homa Bay Municipality is established by and derives its authority and accountability from the local Government Act. The Municipality is under the Homa bay County Government and is domiciled in Kenya

The entity's principal activity is included:

- Build and maintain functional infrastructure for the residents of the Municipality
- Provide framework to facilitate security of land tenure within the Municipality
- Identify and analyse planning issues and challenges, harness existing opportunities and promote intervention measures for mitigating the issues and challenges identified.
- Promote appropriate land uses, locations and permissible densities. Additionally, the Municipality will begin to provide a policy framework for socio-economic investments, economic use of space, infrastructure services and public facilities within the Municipality.
- Enhanced service delivery to the residents of Homa bay Municipality.

2. Statement of Compliance and Basis of Preparation

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

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

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

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

3. Application of New and revised standards (IPSAS)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable 1st January 2025:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable 1st January 2025</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The</p>

County Government of Homa Bay

Homa Bay Municipality

Annual Report and Financial Statements for the year ended June 30, 2024

Standard	Effective date and impact:
	<p>information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2025:</p> <p>a.) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b.) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c.) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d.) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2024</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • <i>IPSAS 29: Financial instruments: Recognition and Measurement</i> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

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

(Notes to financial statements continued)

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2023/2024 was approved by the County Assembly on 29th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The Municipality upon receiving the respective approvals in order to conclude the final budget adds the additional appropriations to the original budget. Accordingly, the Municipality recorded reductions in appropriations of KES 4,058,764 on April 2024 following the governing body's approval.

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 financial performance has been presented under section 13 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.

(Significant accounting policies continued)

e) Financial instruments

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

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

Financial Assets

Classification of financial assets

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

(Significant accounting policies continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An

estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

(Significant accounting policies continued)

Impairment

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

Financial liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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

(Significant accounting policies continued)

g) 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.

h) Social Benefits

Social benefits are cash transfers provided to: -

- i) Specific individuals and / or households that meet the eligibility criteria,
- ii) Mitigate the effects of social risks and
- iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability.

The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

i) Contingent liabilities

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

(Significant accounting policies continued)

j) Contingent assets

The 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

k) Nature and purpose of reserves

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

l) 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.

m) 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.

(Significant accounting policies continued)

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported in the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

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

p) Related parties

The 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 City/Municipality, or vice versa. Members of key management are regarded as related parties and comprise the Board members, the Municipality Managers and Municipality Accountant.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

(Significant accounting policies continued)

r) Comparative figures

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

s) Events after the reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

(a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

(b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

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

t) Currency

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

5. Significant judgments and sources of estimation uncertainty

The preparation of the 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 City/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 City/Municipality.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funds to replace the asset.
- v) Changes in the market in relation to the asset.

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

Notes to the Financial Statements

6. Transfers from the County Government- Total Income

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Transfers from County Govt. –Equity Bank Recurrent-A/c no.	1,470,000	3,500,000
Transfers from UDG –KCB Bank Development -A/c no.	1,194,559	-
Total	2,664,559	3,500,000

(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	2022-2023
			Kshs	Kshs	Kshs
Homabay County Treasury	2,664,559	-	-	-	3,500,000
Total	2,664,559	-	-	-	3,500,000

7. Direct Payments on Behalf of the entity by County Government

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Recurrent Payments	22,833,380	2,125,635
Development Payments	-	16,656,102
Total	22,833,380	18,781,737

8. Public Contributions and Donations

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Donation from development partners	-	-
Total	-	-

Description Receivables from Non- Exchange Transactions	2023/2024	2022/2023
	Kshs.	Kshs.
Income for Operation grant from the County government	254,041	-
Less Transfers from the County Government	98,600	-
Total Receivables from Non- Exchange Transactions	155,441	-

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

9. Use of Goods and Services

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Utilities, supplies and services	28,440	145,000
Communication, supplies and services	1,000	140,000
Domestic travel and subsistence	721,560	623,600
Printing, advertising, supplies & services	15,000	42,074
Training expenses	-	30,000
Hospitality supplies and services	-	171,000
Office and general supplies and services	40,890	362,976
Fuel, oil and lubricants	-	59,000
Other operating expenses (<i>Newspapers, Security, uniforms, gas refill</i>)	-	165,500
Consultancy	-	-
Routine maintenance – other assets	81,300	216,000
Stationary	-	613,500
Hire of Transport, equipment etc	-	115,000
Bank Charges	3,636	9,982
Sub Total	891,826	2,693,632
Direct Payments by the County Government		
Domestic travel and subsistence	249,600	628,535
Office and general supplies and services	414,280	227,000
Fuel, oil and lubricants	250,000	236,000
Stationary	249,480	264,000
		-
Sub Total	1,163,360	1,355,535
Total Use of goods	2,055,186	4,049,167

10. Staff Costs

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Salaries and wages	22,240,000	-
Casual labour/Wages	90,000.00	145,000
Total	22,330,000	145,000

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

11. Board Expenses

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Sitting allowances	140,000	735,000
Sub Total		
Direct Payments by County Government		
Sitting Allowances	328,000	118,800
Conference Costs	-	151,300
Sub Total	-	270,100
Total board expenses	468,000	1,005,100

12. Depreciation Movement Schedule

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Total Depreciation of Assets during the year -Note 7	7,428,836	-
Total	7,428,836	-

13. Cash and cash equivalents

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Current account	188,472	3,386,606
Total cash and cash equivalents	188,472	3,386,606

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

Financial institution	Account number	2023/2024	2022/2023
		Kshs.	Kshs.
a) Current account			
Kenya Commercial bank Acc 1247953181		87,405	3,385,846
Equity Bank Acc 0980279269135		101,067	760
Grand total		188,472	3,386,606

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

14. Supplier's Balances as at 30.06,2024

Name of Supplier	Account Number	2023/2024	2022/2023
		Kshs.	Kshs.
Elicat General Supplies LTD	Office Laptops	320,000	-
Elicat General Supplies LTD	Office Stationaries	234,480	-
Elicat General Supplies LTD	Office Furnitures	179,100	-
VOMA General Services	Cleaning Materials	64,900	-
Zam Zam	Fuel expenses	250,000	-
Total Suppliers Balances as at 30.06,2024		1,048,480	-

15. Cash generated from operations

Description	2023/24	2022/2023
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	-6,530,042	17,082,470
Adjusted for:		
Depreciation	6,530,042	-17,082,470
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Transfer/adjustments-Inter bank account-Receipts	2,414,559	3,500,000
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	1,292,733	(73,632)

Total Cash Income

Description	Equity Bank Ltd	KCB Ltd	Total
	Ksh	Ksh	Ksh
Cash Receipts	1,220,000.00	1,194,559.00	2,414,559.00
Total Cash Receipts	1,220,000.00	1,194,559.00	2,414,559.00

16. Cash Flows From Investing Activities	Ksh
Renovation of Market	1,350,000
Road Construction-ABSA to St Paul	3,140,867
Total Cash flows from investing activities	4,490,867

(Notes to the Financial Statements Continued)

17. Property, Plant and Equipment

Description	Land & Buildings	Roads & Infrastructure	Computers And Printers	Furniture and Fittings	Total
	Shs	Shs			Shs
As at 30th June 2021	152,759,854	-	-	-	152,759,854
Additions for the year 2021/2022	10,182,758	38,190,499	-	-	48,373,257
As at 30th June 2022	162,942,612	38,190,499	-	-	201,133,111
As at 1 July 2022	162,942,612	38,190,499	-	-	201,133,111
Additions for the year 2022/2023	16,656,102	54,295,675	-	580,000	71,531,777
Depreciation and impairment	-	-	-	-	-
NDV As at 30th June 2023	179,598,714	92,486,174	-	580,000	272,664,888
As at 1 July 2023	179,598,714	92,486,174	-	580,000	272,664,888
Additional Assets during the year	1,350,000	3,140,867	320,000	179,100	4,989,967
Total Assets before Depreciation	180,948,714	95,627,041	320,000	759,100	277,654,855
Depreciation and Impairment	7,237,948.56	-	96,000	94,888	7,428,836
Disposal for the year	-	-	-	-	-
NBV as at 30th June 2023	179,598,714	92,486,174	-	580,000	272,664,888
NBV as at 30th June 2024	173,710,765	95,627,041	224,000	664,213	270,226,019

Notes to the Financial Statements

6. 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	2023/2024	2022/2023
	Kshs.	Kshs.
Transfers from related parties'	1,470,000	3,500,000
Direct Payments by the County Government	4,490,867	18,781,737

Notes to the Financial Statements

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

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

I. Credit Risk

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

II. Market Risk

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

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

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

Notes to the Financial Statements

III. Capital Risk Management.

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

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Revaluation reserve	0	0
Capital/Development Grants/City/Municipality	0	0
Accumulated surplus	0	0
Total Funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0%	0%

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Expenditure on Consultancy Services	The file is now available and can be reviewed by the auditor at any time	Resolved	
2	Unsupported Prior Year Adjustments	The adjustment was due to correction of errors in the previous year financial statements that had not been corrected. The errors have now been corrected.	Resolved	
3	Budgetary Control and Performance	Underfunding is due to late disbursement of funds from the National Treasury		

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

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)
4	Delayed Completion in Construction of roads	The road has now been completed, handed over and in use. Handing over documents and practical completion certificate are available for the auditor's review at any time.	Resolved	



Mark Odhiambo Oketch
Homabay Municipality Manager



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

Appendix 1: Inter Entity Transfers

HOMA BAY MUNICIPALITY			
Breakdown of Transfers from the County Executive of Homa Bay County			
FY 2023/2024			
a. Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
Homa Bay County Treasury transfer for operations	16/01/2024	250,000	2023/2024
Homa Bay County Treasury transfer for operations	12/03/2024	250,000	2023/2024
Homa Bay County Treasury transfer for operations	04/06/2024	470,000	2023/2024
Homa Bay County Treasury transfer for operations	04/06/2024	250,000	2023/2024
Homa Bay County Treasury transfer for operations	30/06/2024	250,000	2023/2024
		1,470,000	
b. Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
Income Realized from County Treasury - KCB Bank Account -UDG	14/12/2023	1,194,559.00	2023/2024
c. Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
1 Direct Payments by The County Government	27/06/2024	22,240,000	2023/2024
		22,240,000	
2 CRISCENCER ACHIENG	22/11/2023	58,000	2023/2024
3 HORACE OKOTH	25/09/2023	38,000	2023/2024
4 CRISCENCER ACHIENG	11/10/2023	239,380	2023/2024
5 Horace Okoth	18/11/2023	258,000	2023/2024
Subtotal		593,380	2023/2024
Total Direct payments		22,833,380	2023/2024

County Government of Homa Bay
Homa Bay Municipality

Annual Report and Financial Statements for the year ended June 30, 2024

Martin Omberega



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



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

HOMABAY MUNICIPALITY BOARD				
REPORTS AND FINANCIAL STATEMENTS				
STATEMENT OF TRIAL BALANCE FOR THE PERIOD ENDED 30TH JUNE 2024				
ACCOUNT NAME AND DESCRIPTION	FY2023-2024		FY2022-2023	
	DR	CR	DR	CR
	Ksh	Ksh	Ksh	Ksh
Cash and Cash Equivalent	188,472.00	-	3,386,606.00	-
Receivables from Non-exchange Transactions	155,441.00	-	-	-
Plant Property and Equipment	270,226,019.00	-	272,664,888.00	-
Creditors	-	1,048,480.00	-	-
Accumulated Surplus	-	269,521,452.00	-	276,051,494.00
Transfers from the County Government	-	1,470,000.00	-	3,500,000.00
Public Contributions and Donation Grants- UDG	-	1,194,559.00	-	-
Direct Payment by the County Government	-	22,833,380.00	-	18,781,737.00
Income from Non-exchange Transactions	-	254,041.00	-	-
Depreciation for the Year end 30th June 2024	7,428,836.00	-	-	-
USE OF GOODS				
2210201- Telephone, Telex, Facsimile and Mobile P	1,000.00	-	140,000.00	-
2210301-Travel Costs (airlines, bus, railway, mileag	-	-	115,000.00	-
2210302- Accommodation - Domestic Travel	85,960.00	-	623,600.00	-
2210303- Daily Subsistance Allowance	885,200.00	-	628,535.00	-
2210502- Publishing & Printing Services	15,000.00	-	42,074.00	-
2210711- Tuition Fees Allowance	-	-	30,000.00	-
2210801- Catering Services (Receptions), Accommo	28,440.00	-	316,000.00	-
2211101-General Office Supplies (papers, pencils, f	624,750.00	-	1,632,976.00	-
2211102- Supplies and Accessories for Computers a	15,000.00	-	-	-
2211103- Sanitary and Cleaning Materials, Supplies	64,900.00	-	-	-
2211299- Fuel Oil and Lubricants - Other	250,000.00	-	295,000.00	-
Routine maintenance for the year	81,300.00	-	216,000.00	-
BANK CHARGES	3,636.00	-	9,982.00	-
2110202- Staff Costs	22,330,000.00	-	145,000.00	-
2210809-Board Sitting Allowance	468,000.00	-	1,005,100.00	-
SURPLUS/(DEFICIT) FOR THE YEAR	-	6,530,042.00	17,082,470.00	-
TOTALS	302,851,954.00	302,851,954.00	298,333,231.00	298,333,231.00