REPUBLIC OF KENYA

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

195

OF

THE AUDITOR-GENERAL

ON

MUNICIPALITY OF HOLA

FOR THE YEAR ENDED 30 JUNE, 2025

COUNTY GOVERNMENT OF TANA RIVER

20

MUNICIPALITY OF HOLA

COUNTY GOVERNMENT OF TANARIVER

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

Table of Content

1. Acronyms & Glossary of terms

a) acronyms

ADP	Annual Development plan
AIE	Authority to Incur Expenditure
CA	County
CARA	County Allocation of Revenue Act
CECM	County Executive Committee Member
CE	County Executive
CG	County Government
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CT	County Treasury
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
NT	National Treasury
WB	World Bank
MOH	Municipality of Hola
Ksh	Kenya Shillings

b) Glossary of Terms

Fiduciary Management	the Key Management personnel who had financial responsibilities

2. Key Entity Information and Management

a) Background information

The Municipality of Hola is established under the Urban Areas and Cities Act No. 13 of 2011 and Cities and Municipality of Hola Charter dated **12th July 2018.** The Municipality of Hola is under the County Government of Tana River and is domiciled in Kenya.

b) Principal Activities

The principal activity/mission/ mandate of the Municipality of Hola is to:

1. Provide efficient and accountable management and regulating the affairs of the Municipality'
2. Provide a governance mechanism that will enable the inhabitants of the municipal to:
    i. Participate in determining the social services and expectations and regulatory framework which will best satisfy their needs.
    ii. Verify whether public resources and authority are utilised or exercised to their satisfaction.
    iii. Enjoy efficiency in service delivery.
3. Vigorously pursue the development opportunities available to the municipality and provisions of civic amenities to enhance the quality of life of the inhabitants of the municipality of Hola.
4. Provide a high standard of social services in a cost-effective manner to the inhabitants of Municipality of Hola.
5. Provide social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the municipality to facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
6. Provide services, laws and other matters for the benefits of municipal inhabitants.
7. Fostering the economic, social and environmental wellbeing of the Municipal inhabitants

c) The Municipality of Hola Board

Ref	Position	Name
1.	Chairman of the Board	Mr. Sammy Abio Malibe
2.	Board Vice chair	Md. Saadia Halima Kora
3.	Board Member	Bsp. Richard Yaro Abio
4.	Board Member	James Mariera Onchaga
5.	Board Member	Mohamed B Suleiman
6.	Municipal Manager	CS, CPA Jacob Jarha
7.	County Executive Committee Member responsible for Cities and Urban areas.	Eng. Stephen Wachira
8.	County Chief Officer Housing and Urbanisation	Ari Hussein Bodole

d) Key Management

Ref	Position	Name
1	Municipal Manager	CS, CPA Jacob Jarha
2	Directors/Head of departments	Mohamed Mwatunza
3	Director Finance & Ag. Chief Officer finance	CPA Mariam A. Bunu
4	Chief officer Roads, transport, public works, transport and urbanization	Ari Husein Bodole

e) Fiduciary Oversight Arrangements

i) County Assembly committee

Ref	Position	Name
1	Chairman	Hon, Ismail B. Kodobo
2	Secretary	Hon. Halima G. Mohamed
3	Member	Hon. Yusuf A. Bile
4	Member	Hon. Musa Wario
5	Member	Hon. Hamid Babusa
6	Member	Hon. Fatuma Abadada
7	Member	Hon.Mahmud A. Barrow
8	Member	Hon.Zahira Hageyo Kori
9	Member	Hon. Abdulhakeem Shehe

f) Registered Offices

P.O. Box 3-70101, HOLA

National Irrigation Authority Building/House/Plaza,

Next to Hola Law Courts,

KENYA.

g) Contacts

Telephone: (+254) 0723733817

E-mail: holamunicipality21@gmail.com

h) Bankers

Commercial Banks

1. Hola Municipality Institutional Grant Account No. 1253247080
2. Hola Municipality Development Grant Account No 1253247862
3. Hola Municipality Management Account No 1282903314
4. Central bank of Kenya Institutional Grant Account No. 1000424982
5. Central bank of Kenya Development Grant Account No.1000484834

i) **Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) **Principal Legal Adviser**

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

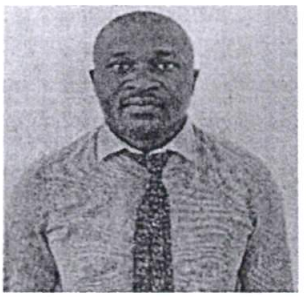
City Square 00200

Nairobi, Kenya

3. Municipality of Hola Board

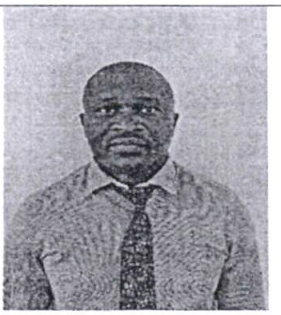
Name	Details of qualifications and experience	Passport photo
1. Sammy Abio Malibe (Chairman Municipality of Hola)	Aged 56 years degree in development studies diploma in education worked for TSC for 27years.He served as a Member of County Assembly for kinakomba ward 2017-2022 as budget chairman. He is an independent director chairman to the general executive committee	
2. Saadia Halima Kora (Vice chairman)	Aged 49 years, Diploma in early childhood development 2014-2017 civic educator in Tana River County ECD teacher 1996-2013. She is an independent director and a member to the finance and administration committee and a member to the technical committee	
3. Bsp. Richard Yaro Abio (Board Member)	Aged 55 years, Degree in theology from Kenya Methodist University Undertaking church administration from 1999 to	

	date. He is an independent director and a chairman to the finance and administration committee and a member to the Audit governance and risk committee	
4. James Mariera Onchaga (Board Member)	Aged 58 years, Diploma in business administration Chairman Chamber of commerce seven years Chairman County bursary board six years Chairman civic education and public participation board six years V/Chair Hola youth polytechnic five years Member County Education Board ten years Executive director civil society TRICCA. He is an independent director and the chairman to the audit, governance and risk committee and a member to the technical committee	

5.Mohamed B Suleiman (Board Members)	Aged 29years Bachelor of science degree in water resource management on going Master of Science degree in land and water resource management worked with water resource authority and equator Kenya limited, NCPWD, IEBC, World Vision Kenya KNBS. He is an independent director and the chairman to the Technical committee and member to the finance and administration committee.	
6.Cs, CPA. Jacob Jarha (Municipal Manager/Board Secretary)	Aged 43 years, ongoing Certified Public Secretary course, Holder of bachelor's degree in commerce, A qualified Accountant CPA(K) Worked in various Government office as accounts clerk and coordinator of the National Government Affirmative Action Fund Currently the Municipal Manager and secretary to the board.	

7. Hussein Ari Bodole Chief Officer Housing and Urbanisation	Aged 38 years, Bachelor of Business administration (Human Resource Management option) Certified human resource professional Hola law courts-Court Assistant/Court Administrator 2010-2023 County Government of Tana River- County Chief officer Housing and Urbanisation. He is an executive director and a member for General executive committee	
8. (Board Member) Eng. Stephen Wachira	Aged 42 years. County Executive member Roads, Transport, Housing and Urbanisation. Degree in mechanical engineering. He is an executive director and a member of the general executive committee	

4. Key Management Team

Name	Details of qualifications and experience	Passport photo
1. Director Housing &Urbanisation and the coordinator of Kenya Urban Support Program Mohamed Mwatunza	Aged 59 years, Holder of bachelor's degree in education worked in government for more than twenty years. Clerk to County Council of Tana River	
2. Chief Officer Finance &Economic Planning CPA Mariam Abdalla Bunu	Aged 47 years, Holder of bachelor's degree in commerce accounting Option. A qualified Accountant CPA(K) Worked in Various Government Offices for more than ten years	
3. Municipal Manager CS, CPA Jacob Jarha	Aged 43 years,Certified secretary, Holder of bachelor's degree in commerce finance Option, A qualified Accountant CPA(K) Worked for kws, kwawasco, NGAAF and CGTR as Municipal Manager	

4.Hussein Ari Bodole Chief Officer Housing and Urbanisation	Aged 38 years Chief Officer Housing and Urbanisation. Degree in Business Administration Certified Human Resource professional	

5. The Municipality of Hola Board Chairperson's Report

On behalf of the board, it's my pleasure to present the Municipality of Hola Annual Report and financial statements which reflect financial performance of the Municipality for the year ended 30th June 2025.

Sustainability

In pursuing our goal, we the Municipality of Hola have and will continue to manage our finances in accordance with the principles of fiscal responsibility as spelt out in the public finance management Act (2012) and its regulations and any other applicable laws on public finance.

Board and management changes

The tenue of employment of the first board of management ended in December 2024 and new board of Management appointed on 29th May 2025, pursuant to the provision of section 14 of the Urban Areas and Cities Act, the Hola Municipality Charter and section 6 of the public Appointments (County Assembly Approval Act (No 5 of 2017)

As at today the Municipal Board comprised of

1.	Sammy Abio Malibe	Chairman
2.	Saadia Halima Koro	V/Chairman
3.	Bsp. Richard Yaro Abio	Member
4.	Mohamed B Suleiman	Member
5.	James Mariera Onchaga	Member
6.	CS, CPA. Jacob Jarha	Municipal Manager/Secretary
7.	Hussein Bodole	C.C. O Housing and urbanization
8.	Eng. Stephen Wachira	C.E.C.M Roads, public works housing and urbanization

- **Successes made.**

  The board has been able to ensure that all the ongoing projects (Storm water drainage, upgrading of bus park to cabro standards, construction of walkways, construction of slaughterhouse, and construction of public toilet) have been 100% complete as at end of June 2025.

- **Expenditures**

  The year under review the Municipality of Hola was allocated Ksh 70,790,586.00 for recurrent expenditure. Out of that Ksh 35,000,000 is an allocation from the world bank. Which was not received as at the end of the financial year 2025.The remaining balance is managed by the executive at the County treasury though spent by the Municipality.

- We have completed the storm water project and took maintenance of streets lighting we look forward to putting more street lighting in areas that have no streetlights, extending the storm water drainage in areas that requires drainage for smooth floor of rainwater down stream

- **Future outlook of the Municipal baord**

  Our Focus for the future is to prioritize on solid waste management, increase streetlights coverage and construct a big market for the residence of the Municipality of Hola.

  We are aiming to at least employ some staff through the County Public Service Board of Tana River to make our services more efficient and effective.

- **Appreciation**

  I would like to appreciate the county executive for giving us the Municipal charter which brought together the Municipal of Hola Board members and entire team for their dedication and cooperation during the transition period.

  I also would like to appreciate the county assembly committee for their consistent oversight in the use of our approved budgets.

  Further, I would like to appreciate the cooperation and support from key stakeholders and residents in running the affairs of the municipality.

  May God bless all of us and the entire county in general

Signed: .....

Name: Sammy Abio Malibe
Chairperson of the Board

6. Report of the Municipality Manager/ Accounting Officer

The Board of the municipality of Hola achieved tremendous milestone in discharging of its mandate.

In compliance with the constitutional requirement and vision 2030 goals, the board had set a uniform criteria and guidelines that promote equity, equality, and fairness in provision of services in Hola. The board made sure that equal rights are provided to the marginalised and people living with disability.

The board largely has, involved stakeholders and created a cohesive and conducive environment that enables it to carry its mandate effectively and efficiently.

Financial Performance

a) Revenues

During the financial year ended 30th June 2025, the Hola Municipality Board was allocated (Ksh 70,790,586.00) seventy million seven ninety thousand five hundred and eighty-six only through the appropriation from the County Assembly as funding from the County Executive. Broken down as follows.

i. Payment on behalf of the Municipality was ksh 27,866,240.00 Twenty-seven million, eight sixty-six thousand, two hundred and forty only

ii. Thirty-five million (Ksh 35,000,000) was an allocation from world bank under the Urban Institutional Grant which was received after the closure of the financial year 2024/2025.

The funds were utilised to pay for municipal utility expenses, payment of salary to staff and board expenses for the greening of Hola Municipality and conducting public meeting. The expenditures were accounted for by the executive.

Conclusion

FY 2024/2025 was a good year generally with a good progress despite lack of additional funds. We have identified gaps and areas to improve in the subsequent years.

Signed: _____

CSCPA Jacob Jarha

Municipal Manager

Accounting officer Municipality of Hola

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

Guidance

Sec 164(2) of the Public Finance Management Act,2012 requires that at the end of each financial year, the accounting officer shall prepare financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Boards including a statement of the county government entity's performance against predetermined objectives.

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a County Government entity shall prepare financial statements in respect of the entity in formats to be prescribed by the Accounting Standards Board including a statement of the county government entity's performance against predetermined objectives. The key development objectives of the Hola Municipality 2021-2025 strategic plan/integrated Development plan are to:

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

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Urban planning	To control urban development	To create orderly development in urban areas	Number of development plans conforming with rules and regulations governing urban development	In the FY under review lands and physical planning department has been Developing two plans i. Mahono cluster and Handampia Cluster Within the Municipality of Hola. The department is also developing special plan for Municipality of Hola

Program	Objective	Outcome	Indicator	Performance
Construction of storm water drainage	Safe guard business and households from flooding during rainy season	Contained rainwater flooding	Construction of 3 kms of storm water	We completed the Construction of 3 kms length of the storm water and installed drainage covers

8. Corporate Governance Statement

THE BOARD

Municipality of Hola is established by the Urban Areas and Cities Act 2012 and derives its authority and accountability from the Act. The board objectives are to vigorously pursue the development opportunities which are available in the Municipality and to institute such measures as are necessary for achieving public order and the provisions of civic amenities, to enhance the quality of life of the inhabitants of the Municipality. The board is committed to ensuring compliance with the Urban Areas and Cities Act 2012, the Municipal charter and other relevant laws and regulations.

THE MEMBERSHIP OF THE BOARD

The Municipality of Hola board, comprised of 7 members and were recruited based on,

a. An umbrella body representing professional associations in the area
b. An association representing the private sector in the area
c. A cluster representing registered associations of the informal sector in the area
d. A cluster representing registered neighbourhood associations in the area'
e. An association of the municipality and appointed by the County Executive Committee within approval of the county assembly.

The board members are responsible for the long-term strategic dimensions. The municipality members are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial operation and compliance issues.

BOARD MEETINGS

The board members are to meet at least once in a quarter to monitor the implementation of the funds, strategic plan and achievement of the targets.

However, as provided by the Act the chairman shall, upon requisition by members convene a special meeting of the board at any given time.

1. STATEMENT OF COMPLIANCE

The board of trustees confirmed that the Municipality had throughout the FY 2024/2025 complied with all statutory and regulatory requirements and that the Municipality had been managed in accordance with the principles of good governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Standing Instructions

The Municipality of Hola has developed a strategic plan/Integrated development plan, Code of ethics and Service Charter that will be applicable to all employees. This will entail several standing instructions to employees designed to enhance internal controls.

Organisation Structure

The Board has updating its organisational structure that will clearly detail lines of authority and control responsibilities in line with the Urban and Cities Act 2012.

Internal Control Framework

The Board continues to review its internal control to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed in an ongoing basis.

Depreciation policy

The Municipality board provide for depreciation of assets and liability as shown below on straight line basis

Class	Type of Asset	Estimated Useful life	Rate
1	Motor Vehicle	4 Years	25% pa
2	Computers	3 Years	33.33%pa
3	Servers	5 Years	20.00% pa
4	Photocopiers, Scanners& Printers	3 Years	33.33%pa
5	Computer accessories &devices	3 Years	33.33%
6	Computer software	3 Years	33.33%
7	Computer networks, cables and similar equipment's	3 Years	33.33%
8	Furniture & equipment's	8 Years	12.5%
9	Partitions, furniture's and fittings	8 Years	12.5%
10	Building and improvements12	50 Years	2%
11	Plants & Machinery	8 Years	12.5%
12	Photocopier, air conditioner, telephone& fax	8 Years	12.5%
13	Other office equipment's	8 Years	12.5%

Risk management

The Board targets to develop a risk management framework which will guide the Municipality in identifying assessing and managing the risks and prescribe mitigating measures of all the risks both external and internal.

Management Team

The management team is comprising of the Municipal Manager, Director Urban development services, Chief officer Finance and economic planning and Chief Officer Urbanisation. The

Municipality implements the Board decision and policies through action plans. The team meets on demand to review these actions plans to ensure that the board objectives are achieved effectively and efficiently.

Auditor

The fund is audited by the Auditor General

9. Management Discussion and Analysis

The Municipality of Hola has continued to grow over the years. The management has put measures in place to safeguard risks. The management has ensured that we comply with statutory requirements relating to the functions of the Municipality.

Operational and functional performance of the Board

The Board did not received funds for both Urban Institutional Grant and Urban development grant account for the year ending 30th June 2025.

Key projects or investments decisions implemented or ongoing

The Municipality has continued to ensure the town of Hola is clean by deploying staff to do town cleaning at the same time distilling storm water drainage for a conducive business environment

Compliance with statutory requirements

The board complied with the following listed requirements but not limited to

i. NSSF Deductions
ii. NHIF deductions
iii. Income tax deductions
iv. Preparation of submission of reports in a timely manner.
v. All other statutory requirements

Major challenges facing the board

The Municipality of Hola Board is new hence needs a lot of capacity building to understand the environment and working procedures of Municipalities'.

The Municipality is also understaffed to which impacts negatively on the effective delivery of service.

The Urban Areas and Cities Regulations are yet to be developed to operationalise fully the Act.

The residents and Members of the county Assembly are yet to fully accept the concept of municipality.

Conclusion

We appreciate the unrelenting support from the Municipal board, management staff, the county government, development partners and the key stakeholders. We look forward in continuing partnership and cooperation in areas of mutual interest.

10. Environmental and Sustainability Reporting

The board engages NEMA in all the projects undertaken by the Municipality of Hola for Screening and environmental and social impact assessment for all its projects.

1. **Sustainability strategy and profile**

   The board has engaged the County executive as well as the County Assembly for allocation of Budget to fund its operation. The board had been allocated recurrent but not development budget for her development agenda in the financial year 2024/2025

2. **Environmental performance**

   The board had earmarked on tree planting exercise in a programme termed. "Greening the Municipality of Hola" This program will not only be addressing the challenges of climate change but also creating job for youth, women and persons living with disability who are residing within the Municipality of Hola

3. **Employee welfare**

   Currently the Municipality of Hola has one staff that is the Municipal Manager who was recruited competitively through the public service board.

   The welfare of the employee is well catered through budgeting for pension, gratuity and medical cover for the staff and family members.

   Efforts to get new staff in various position and interns with the approved structure are underway through the County Public service board. The County public service Board is an entity that will ensure compliance with employment laws during hiring of staff.

4. **Market place practices**

   The organisation should outline its efforts to:

a) **Responsible competition practice.**

   The board has put in place measures to discourage corruption, political patronage and unfair competition in awarding of tenders.

Responsible Supply chain and supplier relations

a). Contractors are awarded tenders as well paid in good time. Proper communication to supplier through advertisement in our daily nation and local advertisement

b) **Responsible marketing and advertisement**

Outdoor advertisement goes through public relation scrutiny on the content before allowed to be realised in the Market. Annual taxes are applied consistently on common business taking place within the Municipality.

c) **Product stewardship**

The Municipality continuously provides streetlights and garbage collection services to its residents.

5. **Community Engagements**

The Municipality of Hola engages the residents in all its development projects through public participation and public forums

11. Report of the Municipality Board Members

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

Principal activities

The Municipality of Hola is established by Urban and Cities Act 2012 and derives its authority and accountability from this Act. The Board objectives seek to provide an enabling environment for development of economic opportunities available within the Municipality and to institute measures necessary for achieving public order while enhancing provisions of civic amenities and access to basic social services.

Performance

The performance of the Municipality of Hola for the year ended June 30, 2025, are set out on pages 1-5

Board Members

The contractual terms of employment for the first board members elapsed in December 2024 and the Municipality has recruited new board members lead by the Chairman Mr. Sammy Malibe. Currently the board has seven members out of which one is a female,

Auditors

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

By Order of the Board

.....

Name: CPA Jacob Jarha

Municipal Manager & Accounting officer

Secretary to the Board

12. Statement of Management's Responsibilities

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

The Municipal manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the situation of the Municipality for and as at the end of the financial year ended on June 30, 2025. This responsibility includes:

(i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality,

(iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,

(iv) Safeguarding the assets of the Municipality,

(v) Selecting and applying appropriate accounting policies, and

(vi) Making accounting estimates that are reasonable in the circumstances.

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

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

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

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

Approval of the financial statements

The Municipal financial statements were approved by the Board **on 28th August 2025** and signed on its behalf by:

.....	.....
Name: Sammy Abio Malibe	**Name: CPA. Jacob Jarha**
Chairperson of the Board	**Municipal Manager & Accounting Officer**
Municipality of Hola	**Municipality of Hola**

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

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

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

PREAMBLE

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

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

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Municipality of Hola set out on pages 1 to 32, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets,

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

In my opinion, except for the effects of the matter 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 Hola as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis and comply with the Urban Areas and Cities Act No.13 of 2011, Cities and Municipality of Hola Charter dated 12 July, 2018, County Governments Act, 2012 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.110,071,031. However, the supporting schedule showing asset description, date of purchase, value, location and ownership details were not provided for audit. Further, Note 10 to the financial statements, reflects net book values of cellphones of Kshs.3,400,000, computers valued at Kshs.5,200,000 and inventory software valued at Kshs.2,358,000 as at 30 June, 2024. However, the balances were excluded from the balances as at 1 July, 2024.

In the circumstances, the accuracy, completeness and existence of property, plant and equipment balance of Kshs.110,071,031 could not be confirmed.

2. Inaccuracy in the statement of comparison of budget and actual amounts

The statement of comparison of budget and actual amounts reflects Kshs.42,924,346 in respect of performance difference on expenditure instead of the re-cast amount of Kshs.70,790,092 resulting to an un reconciled variance of Kshs.27,865,746. Further, the budget reconciliation statement was not disclosed in the financial statements.

In the circumstances, the accuracy, and completeness statement of comparison of budget and actual could not be confirmed.

3. Unreconciled Net Cash Flows from Operating Activities

The statement of cash flows reflects Kshs.494 in respect to net cash flows from operating activities which was not reconciled to the surplus for the year.

In the circumstances, the accuracy of the net cash flows from operating activities balance of Kshs.494 could not be confirmed.

4. Anomalies in Presentation of the Financial Statements

The page numbering as per the table of contents is inconsistent with the annual reports and financial statements. This is contrary to the format prescribed by the Public Sector Accounting Standards Board which requires the two parts to be aligned.

In the circumstances, the financial statements were inconsistent with the prescribed reporting template.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year audit report, one (1) issue was raised under the Report on Financial Statements and two (2) issues under the Report on Lawfulness and Effectiveness in Use of Public Resources. These include unsupported property, plant and equipment, lack of independence and failure to prepare an integrated urban areas development plan. Review of the status during audit of the Fund in 2024/2025 revealed that the matters remained unresolved.

Other Information

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

In connection with my audit on the Municipality's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have

performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Operational Independence of the Municipality

As previously reported, the Municipality of Hola was granted a charter on 12 June, 2018 which was supposed to grant its operational independence from County Government of Tana River. However, review of the operation of the Municipality revealed lack of autonomy as Municipality budget was prepared and controlled by the County Executive. The Municipal budget was not approved by the Municipal Board. This is contrary to Section12(1) of the Urban Areas and Cities Act, 2011 which states that the Management of a City and Municipality shall be vested in the County Government and administered on its behalf by a Board, a Manager appointed pursuant to Section 28 and such other staff or officers as the County Public Service may determine.

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

2. Failure to Prepare an Integrated Urban Areas Development Plan

As previously reported, the Municipality of Hola has not prepared an Integrated Urban Area Development Plan in accordance with section 5(b) of the Urban Areas and Cities Act, 2011. The Integrated Development Plan (Integrated Development Plan) is a critical road map in achieving the development goals for an urban area hence failure to come up with the plan means Municipality of Hola may not achieve its intended goals. This contrary to Section 38 of the Urban Areas and Cities Act (Cap 275) Areas Act provides that a city or urban area shall prepare an integrated city or urban area development plan in accordance with the Third Schedule to this Act.

In the circumstances, Management was in breach of the law

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

08 December, 2025

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

	Notes	2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the county Government	6	-	2,339,915.00
Refunds			
Total revenue			**2,339,915.00**
Expenditure			
Use of goods and services	7	494.00	3,356,651.00
Depreciation /Amortization	8	3,017,570.00	3,814,751.00
Total expenses		**3,018,064.00**	**7,171,402.00**
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/Loss for the period		**(3,018,064.00)**	**(4,831,487.00)**

The notes set out on pages 1 to 33 form an integral part of these Financial Statements. The entity financial statements were approved on 28th August 2025 and signed by:

.....

Name: CPA. Jacob Jarha
Municipal Manager & Accounting Officer
Municipality of Hola

.....

Name: CPA. MARIAM ABDALLA BUNU
Head of Finance
ICPAK M/No 20519

15. Statement of Financial Position as at 30 June 2025

	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	9	1,096.00	1,590.00
Non-current assets			
Property, plant, and equipment	10	110,071,031.00	113,088,601.00
Total Non-current Assets		**110,071,031.00**	**113,088,601.00**
Total assets		**110,072,127.00**	**113,090,191.00**
Liabilities			
Current liabilities	11	875,325.00	
Non-current liabilities			
Total liabilities		**(875,325.00)**	
Net assets		**109,196,802.00**	**113,090,191.00**
Capital/Development Grants/Fund		135,447,610.00	1,018,325.00
Reserves			-
Accumulated surplus/loss		(26,250.808.00)	(4,831,487.00)
Total net assets and liabilities		**109,196,802.00**	**113,090,191.00**

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 **28th August 2025** and signed by:

.....

Name: CPA Jacob Jarha
Municipal Manager & Accounting Officer
Municipality of Hola
Date:

.....

Name: CPA. MARIAM ABDALLA BUNU
Head of Finance
ICPAK M/No 20519
Date:

16. Statement of Changes in Net Assets as at 30 June 2025

	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Balance as at 1 July 2023	135,447,610.00		(18,401,258.00)	**117,046,352.00**
Surplus/(deficit) for the period			(4,831,487.00)	**(4,831,487.00)**
Funds received during the year				
Balance as at 30 June 2024	**135,447,610.00**		**(23,232,744.00)**	**112,214,866.00**
Balance as at 1 July 2024	**135,447,610.00**		**(23,232,744.00)**	**112,214,866.00**
Surplus/(deficit) for the period			(3,018,064.00)	**(3,018,064.00)**
Funds received during the year				
Revaluation gain				
Balance as at 30 June 2025	**135,447,610.00**		**(26,250,808.00)**	**109,196,802.00**

.....

Name: CPA Jacob Jarha
Municipal Manager & Accounting Officer
Municipality of Hola

.....

Name: CPA. MARIAM ABDALLA BUNU
Head of Finance
ICPAK M/No. 20519

17. Statement of Cash Flows for The Year Ended 30 June 2025

	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	-	2,339,915.00
Other Incomes			
Total Receipts			**2,339,915.00**
Payments			
Use of goods and services	7	494.00	3,356,651.00
Total Payments		**494.00**	3,356,157.00
Net cash flows from operating activities	16	**(494.00)**	**(1,016,735.00)**
Cash flows from investing activities			
Purchase of PPE & intangible assets			
Proceeds from sale of PPE		-	
Net cash flows used in investing activities			
Cash flows from financing activities			
Receipts from Capital grants			
Net cash flows used in financing activities			
Net decrease in cash & cash equivalents		**(494.00)**	**(1,016,735.00)**
Cash And Cash Equivalents At 1 July 2024		1,590.00	1,018,325.00
Cash And Cash Equivalents At 30 June 2025	9	**1,096.00**	**1590.00**

.....

Name: CPA. Jacob Jarha
Municipal Manager& Accounting officer
Municipality of Hola

.....

Name: CPA. MARIAM ABDALLA BUNU
Head of Finance
ICPAK M/No 20519

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

	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	79,854,266.00	(9,063,680.00)	70,790,586.00	0.00	70.790,586.00	0.00%
Miscellaneous income(specify)						
Total Revenue	**79,854,266.00**	**(9,063,680.00)**	**70,790,586.00**	**0.00**	**70,790,586.00**	**0.00%**
Expenses						
Use of goods and services	45,790,600.00		47,334,000.00	494.00	47,333,506.00	0.99%
Board expenses	4,000,000.00		4,000,000.00	0.00	4,000,000.00	0.00%
Staff costs	30,063,666.00		19,456,586.00	0.00	19,456,586.00	0.00%
Finance costs						
Total Expenditures	**79,854,266.00**		**70,790,586.00**	**0.00**	**42,924,346.00**	0.00%
Surplus for the period	-			-		
Capital Expenditure	-		-			
	79,854,266.00	**(9,063,680.00)**	**70,790,586.00**		**42,924,346.00**	**00.0%**

Note: Ksh 35,000,000 budgeted for the financial year under review was received after the closure of the financial year 2024/2025

19. Notes to the Financial Statements

1. General Information

The Municipality of Hola is established by and derives its authority and accountability from Urban Area and Cities Act 2013. The Municipality of Hola is under the County Government of Tana River and is domiciled in Kenya.

The entity's principal activity is to:

1. Provide efficient and accountable management and regulating the affairs of the Municipality'
2. Provide a governance mechanism that will enable the inhabitants of the municipal to:
    i. Participate in determining the social services and expectations and regulatory framework which will best satisfy their needs.
    ii. Verify whether public resources and authority are utilised or exercised as the case may be to their satisfaction.
    iii. Enjoy efficiency in service delivery.
3. Vigorously pursue the development opportunities available to the municipality and provisions of civic amenities so as to enhance the quality of life of the inhabitants of the municipality of Hola.
4. Provide a high standard of social services in a cost-effective manner to the inhabitants of Municipality of Hola.
5. Provide social cohesiveness and a sense of civic duty and responsibility among the inhabitants and stakeholders in the municipality in order to facilitate collective action and commitment towards achieving the goal of a harmonious and stable community.
6. Provide services, laws and other matters for the benefits of municipal inhabitants.
7. Fostering the economic, social and environmental wellbeing of the Municipal inhabitants.

The Board objectives seek to provide an enabling environment for development of economic opportunities available within the Municipality and to institute measures necessary for achieving public order while enhancing provisions of civic amenities and access to basic social services.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on accrual 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*.

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

3. Application of New and revised standards (IPSAS)

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

IPSASB deferred the application date of standards from 1st January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 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 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

***iii.* Early adoption of standards**

The entity did not early – adopt any new or amended standards in year ending June 30,2023.

4. Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (*cash, goods, services and property*) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Municipality of Hola and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the County Assembly on 7th August 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Hola Municipality upon receiving the respective approvals in order to conclude the final budget.

The Municipality of Hola 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 6 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 of Hola recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

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

e) Biological Assets.

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will follow to the entity, and when the fair value or cost of the asset can be measured reliably.

Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured as it cost

less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

f) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and

(Significant accounting policies continued)

Receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Municipality of Hola has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Municipality assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Municipality of Hola financial assets that can be reliably estimated asset or the entity of financial assets that can be reliably estimated.

(Significant accounting policies continued)

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 of Hola.

h) Provisions

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

i) Contingent liabilities

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

j) Contingent assets

The Municipality of Hola 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.

(Significant accounting policies continued)

Evidence of impairment may include the following indicators:

- *The debtors or an entity of debtors are experiencing significant financial difficulty*
- *Default or delinquency in interest or principal payments*
- *The probability that debtors will enter bankruptcy or other financial reorganization*
- *Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

(Significant accounting policies continued)

k) Nature and purpose of reserves

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

l) Changes in accounting policies and estimates

The Municipality of Hola 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 of Hola provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Municipality of Hola pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the Municipality of Hola does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to scheme obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefits are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) Foreign currency transactions

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

o) Related parties

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

p) 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.

q) Comparative figures

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

r) 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 of Hola should indicate whether there are material adjusting and non-adjusting events after the reporting period.

s) Currency

The financial statements are presented in Kenya Shillings (Ksh.).

5. Significant judgments and sources of estimation uncertainty

The preparation of the Municipality of Hola 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 e.g.;

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 of Hola based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Municipality of Hola. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

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

i) The condition of the asset based on the assessment of experts employed by the Municipality of Hola.
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.

6.Transfers from the County Government

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	-	1,194,559.00
Transfers from County Govt.= Development	-	1,145,356.00
Total	**-**	**2,339,915.00**

7. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Bank Charges	494.00	4,215.00
Domestic travel and Subsistence		2,099,000.00
Office and General supplies and services		47,000.00
Hire of Transport		450,000.00
Maintenance of electricity		756,436.00
Total	**494.00**	**3,356,651.00**

8. Depreciation and Amortization

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Property, plant and equipment's	3,017,570.00	7,038,350.00
Total depreciation and aromatization	**3,017,570.00**	**7,038,350.00**

9. Cash and cash equivalents

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Current account	1,096.00	1,590.00
Total cash and cash equivalents	**1,096.00**	**1,590.00**

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

		2024/2025	2023/2024
Financial institution	Account number	Kshs.	Kshs.
a) Current account			
Kenya Commercial Bank	(Uig) Account No1253247080	761.00	1,008.00
Kenya Commercial Bank	Hola Municipal Account No 1282903314	147.00	147.00
Kenya Commercial Bank	(Udg) Account No 1253247862	188.00	435.00
Central Bank of Kenya	Uig Account No 1000424982	0.00	0.00
Central Bank of Kenya	Udg Account No.1000484834	0.00	0.00
Grand total		**1,096.00**	**1,590.00**

(Notes to the Financial Statements Continued)

10. Property, Plant and Equipment

Description	Storm Water drainage	Inventory software	Equipment	Furniture and fittings	Cell phone	Computers	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
	0.025	**0.3**	**0.125**	**0.125**	**0.33**	**0.33**		
As at 1 July 2021	41,724,300	2,358,000	400,000	3,407,100	3,400,000	5,200,000		**56,489,400**
Additions	55,084,745	0	0	0	0	0		**55,084,745**
Disposals	0	0	0	**0**	**0**	0	0	0
Transfers/adjustments	0	0	0	**0**	0	0	**0**	0
As at 30th June 2022	**96,809,045**	**2,358,000**	**400,000**	**3,407,100**	**3,400,000**	**5,200,000**		**115,574,145**
Depreciation and impairment								
As at 30th July 2021	1,043,108	707,400	50,000	425,888	1,122,000	1,716,000		5,064,395
Depreciation for year	2,420,226	707,400	50,000	425,888	1,122,000	1,716,000		6,441,514
At 1July 2022	**3,463,334**	**1,414,800**	**100,000**	**851,775**	**2,244,000**	**3,432,000**		**11,505,909**
NBV as at 30th June 2022	**93,345,711**	**943,200**	**300,000**	**2,555,325**	**1,156,000**	**1,768,000**		**100,068,236**
As at 30 July 2022	**96,809,045**	**2,358,000**	**400,000**	**3,407,100**	**3,400,000**	**5,200,000**		**115,574,145**

Description	Storm Water drainage	Inventory software	Equipment	Furniture and fittings	Cell phone	Computers	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
	0.025	**0.3**	**0.125**	**0.125**	**0.33**	**0.33**		
Additional	23,873,465	0	0	0	0	0		**23,873,465**
Disposal								
As at 30th June 2023	**120,682,510**	**2,358,000**	**400,000**	**3,407,100**	**3,400,000**	**5,200,000**		**135,447,610**
Depreciation and impairment								
As at 1st July 2022	**3,463,334**	**1,414,800**	**100,000**	**851,775**	**2,244,000**	**3,432,000**		**11,505,909**
Depreciation for the year	3,017,063	707,400	50,000	425,888	1,122,000	1,716,000		7,038,350
As at 30th June 2023	**6,480,396**	**2,122,200**	**150,000**	**1,277,663**	**3,366,000**	**5,148,000**		**18,544,259**
NBV As at 30th June 2023	**114,202,114**	**235,800**	**250,000**	**2,129,438**	**34,000**	**52,000**		**116,903,351**
NBV as ta 1st July 2023	**120,682,510**	**2,358,000**	**400,000**	**3,407,100**	**3,400,000**	**5,200,000**		**135,447,610**
Addition	**0**	**0**	**0**	**0**	**0**	**0**		
Disposal	**0**	**0**	**0**	**0**	**0**	**0**		
As at June 2024	**120,682,510**	**2,358,000**	**400,000**	**3,407,100**	**3,400,000**	**5,200,000**		**135,447,610**
Depreciation and impairment								

Description	Storm Water drainage	Inventory software	Equipment	Furniture and fittings	Cell phone	Computers	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
	0.025	0.3	0.125	0.125	0.33	0.33		
As at July 2023	**6,480,396**	**2,122,200**	**150,000**	**1,277,663**	**3,366,000**	**5,148,000**		**18,544,259**
Depreciation for the year	3,017,063	235,800	50,000	425,888	34,000	52,000		3,814,750
As at 30th June 2024	**9,497,459**	**2,358,000**	**200,000**	**1,703,550**	**3,400,000**	**5,200,000**		**22,359,009**
NBV as at 30th June 2024	**111,185,051**	**0**	**200,000**	**1,703,550**	**0**	**0**		**113,088,601**
NBV as at 1st July 2024	**111,185,051**	**0**	**200,000**	**1,703,550**	**0**	**0**		**113,088,601**
Addition								
Disposal								
As at 30th June 2025	**111,185,051**	**0**	**200,000**	**1,703,550**	**0**	**0**		**113,088,601**
Depreciation and Impairment								
Depreciation for the year	2,779,626	0	25,000	212,944	0	0		3,017,570
NBV as at 30th June 2025	**108,405,425**	**0**	**175,000**	**1,490,606**	**0**	**0**		**110,071,031**

11. Trade and other payables from exchange transactions

Description	2024/2025 Kshs.	2023/2024)Kshs.
Trade payables		
retentions	875,325.00	-
Accrued expenses		
Total trade and other payables	**875,325.00**	**-**

Ageing analysis	2024-2025	%of the Totals	2023-2024	%of the Totals
Under one year				
1-2 years	875,325.00	100%	-	-
2-3 years				
Over 3 years				
Total	**875,325.00**	**100%**		**-**

12. Cash generated from operations

	2024/2025	2023/2024
	Kshs.	)Kshs.
Surplus/ (deficit) for the year before tax	**(3,018,064.00)**	**(4,831,486)**
Adjusted for:		
Working Capital adjustments	3,017,570.00	3,814,751
Net cash flow from operating activities	**494.00**	**(1,016,735)**

Other Disclosures

1. **Related party balances**

a) Nature of related party relationships

Entities and other parties related to the Municipality of Hola 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) Municipality of Hola Board; etc.

2. **Financial risk management**

The Municipality of Hola activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality of Hola 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 of Hola 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 of Hola financial risk management objectives and policies are detailed below.

(Other Disclosures Continued)

I. Credit risk

The Municipality of Hola 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 of Hola 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 of Hola maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2025				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances	761,00			
Total	**761.00**			
At 30th June 2025				
Receivables from exchange transactions				
Receivable from non-exchange Transaction				
Bank Balances	147.00			

Totals	**147.00**			
At 30 June 2023				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Bank balances	188.00			
Total	**1,096.00**			

(Other Disclosures Continued)

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

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

II. Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.

At 30 June 2025				
Trade payables			875,325.00	875,325.00
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				
At 30 June 2025				875,325.00
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
Total				**875,325.00**

III. Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Municipality of Hola 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 of Hola 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 of Hola 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 of Hola exposure to market risks or the manner in which it manages and measures the risk.

IV. Foreign currency risk

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

(Other Disclosures continued)

VI. Capital risk management

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

	2022/2023	2021/2022
	Kshs.	Kshs.
Accumulated surplus	(3,018,064.00)	(4,831,486.00)
Total Funds	**(3,018,064.00)**	**(4,831,486.00)**
Total borrowings		
Less: cash and bank balances	1,096.00	1,590.00
Net debt/ (excess cash and cash equivalents)	(3,016,968.00)	
Gearing	0.032%	89%

20. Annexes

Annex 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)*
	Failure to prepare Integrated Urban Areas Development Plan	Started but not yet subjected to public participation	Not Resolved Ongoing	By end of FY 2024/2025 once funds are available
	Lack of audit committee and internal Audit	Audit committee has been established	Resolved	Resolved
	Understaffing of the Municipality	Relevant staff from the County Government have been seconded to the Municipality of Hola	Resolved	By end of FY 2024/2025 relevant staff to have been employed
	Unsupported property plant and equipment's	Updated fixed asset register		
	Budget Control and performance			

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)*
	Lack of independence			
	Failure to implement internal audit recommendations			To be resolved by end of 2025/2026

Guidance Notes:

a) Use the same reference numbers as contained in the external audit report.

b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.

d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

.....

To be Signed by the Accounting officer of the Entity

Annex 2: Inter Entity Transfers

	MUNICIPALITY NAME: MUNICIPALITY OF HOLA			
	Breakdown of Transfers from the County Executive of Tana River County			
a.				
b.				
c.				

…… ……

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

Annex 2: Inter Entity Transfers

	MUNICIPALITY NAME:MUNICIPALITY OF HOLA			
	Breakdown of Transfers from the County Executive of Tana River County			
a.				
b.				
c.				

……

……

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

Annex 3: Reporting of Climate Relevant Expenditures

Name of the Organization Municipality of Hola
Telephone Number 0723733817
Email Address: holamunicipal21@gmail.com
Name of CEO/MD/Head Jacob Barisa Jarha

Name and contact details of contact person (Jacob Barisa Jarha)

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
Storm water Drainage	Construction of storm water drainage	To combat the effects of flooding in urban area	Construction of storm water drainage and cleaning of the drainage					World Bank	Municipality of Hola, state department and county government of Tana River
Greening of the Municipality of Hola	Greening tana program	To combat the effects of climate change by lowering temperatures which are necessary for production	Planting of trees within the Municipality of Hola					County government of Tana River	County Government of Tana River.

Annex 4: Disaster Expenditure Reporting Template

Date:

Entity

Period to which this report refers (FY)	Year			Quarter		
Name of Reporting Officer						
Contact details of the reporting officer	Email			Telephone		
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments