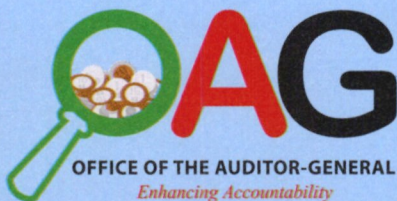


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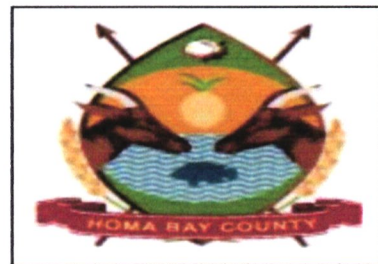
THE AUDITOR-GENERAL

ON

MUNICIPALITY OF HOMA BAY

FOR THE YEAR ENDED
30 JUNE, 2025

PAPERS LAID	
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MUNICIPALITY OF HOMA BAY

County Government of Homa Bay

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)**

County Government of Homa Bay
The Municipality of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms & Glossary of Terms

PSASB Public Sector Accounting Standards Board**FY** **Financial Year**

OSHA

Fiduciary Management - Members of Management directly entrusted with the Homa Bay Municipality's financial resources.

Comparative Year - Means the prior period.

CIDP County Integrated Development Plan

2. Key Municipality of Homa Bay 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:

S/No	Position	Name
1.	Chairperson of the Board	Dr. Antipas Abdallah Nyambok
2.	Vice chairperson	Mrs Dorcas Yoge Odada
3.	Board Member 1	Mr Charles Omondi Owilli
4.	Board Member 2	Mrs Esther Achieng Okello
5.	Board Member 3	Mr Collins Okoth Otieno
6.	Board Member 4	Mr Geoffrey Odhiambo Nyasuda
7.	Board Member 5	Miss Aulgah Banja Dimo
8.	Board Member 6	Mrs Dorothy Lencer Ochieng
9.	CECM in charge of Urban matters	Dr. Peter Ogolla
10.	Chief Officer In charge of Urban Matters	Mr Charles Obondo
11.	Municipality Manager	Mr Sigar James Agumba

d) Fiduciary Management

The Municipal Manager who is the AIE holder is accountable to the Municipal board. The Municipal Board is then accountable to the County Executive Committee and the County Assembly:

Ref	Position	Name
1	Municipality Manager	Mr Sigar James Agumba
2	Chief Officer- Urban Development	Mr Charles Obondo
3	Accountant	CPA Martin Ombewa

e) Fiduciary Oversight Arrangements

The Municipal Manager who is the AIE holder is accountable to the Municipal board. The Municipal Board is then accountable to the County Executive Committee and the County Assembly.

i) Audit and Risk Management Committee

The Board has constituted an audit and Risk committee which is headed by Mr. Geoffrey Odhiambo Nyasuda. In addition, the Municipality has a resident internal auditor seconded to it by the internal audit unit.

ii) County Assembly Committees

The board is answerable to the County Assembly of Homa Bay and makes Annual Financial Reports to the County Assembly. Whenever called upon, the board files report to relevant County Assembly departmental committee. In terms of financial matters, the board always make appearance before Public Accounts Committee, implementation committee, budget and appropriation committee whenever requested to do so.

iii) Committees of the Senate

The board can also be called to appear before the relevant Senate Committee like Public Investment Committee, and Public Accounts Committee as may be called upon 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) 704 542 837

E-mail: sigaragumba9@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

3. Municipality of Homa Bay Board

Serial No.	Name	Details of qualifications and experience
1	 ANTIPAS ABDALLAH NYAMBOK	Board Chair Person AGE: 56 An outgoing and results driven hotel and healthcare operational management professional with a career spanning over 20 years. Holds a Bachelor Degree of Business Administration from Kenya Methodist University and Master's Degree of Business Administration from Kenya Methodist University. He is an independence and represents Professional association bodies.
2	 DORCAS YOGÉ ODADA	Vice Chair Person AGE: 55 A dedicated educator and community leader and advocate for special needs education. Holds a Diploma in Special Needs Education from Kenya Institute of Special Education with a career spanning over three decades. She is a representative of registered Neighbourhood Association.
3	 MR SIGAR JAMES AGUMBA	Board Secretary- Municipal Manager AGE: 38 Is a seasoned practitioner in leadership and governance and profoundly known for the astute passion and commitment to endeavours on sustainable urban planning and development. Holds a degree in Gender and climate change from Egerton University and currently pursuing master's degree in Gender, Education and Development Studies at Egerton University. Area of Responsibility Municipal Manager/Secretary to the Board Accounting Officer

4	 CHARLES OMONDI OWILI	Board Member AGE: 59 Is a dedicated leader in local governance, community engagement and public service with over 5 years work experience. Holds a Diploma in Public Relations from Kenafric Vocational College. He is a director appointee.
5	 ESTHER ACHIENG OKELLO	Board Member AGE: 33 Chair of Human Resource and Administration Committee Holds a Degree in Business Administration and Management from St. Pauls University. A self-motivated achiever in accounting with 3 years extensive work experience. She is a director appointee.
6	 COLLINS OKOTH	Board Member AGE: 37 Chair of Audit/Risk and Compliance Committee. Is a work-oriented individual with focus on improving community well-being, infrastructure and social issues. Holds a Diploma in Community Development from Nairobi Institute of Business Studies. Chair Person Audit/Risk and Compliance committee. He is a representative of Kenya National Chambers of Commerce and Industry.
7	 GEOFFREY O. NYASUDA	Board Member Finance Committee Chair. AGE: 51 Holds a Diploma in Supply Chain Management from Kenya Institute of Management with 20 years' work experience. Is the chairperson of finance Committee. He represents registered association of the Informal Sector.

8	 AULGAH BAJA DIMO	Board Member AGE: 41 Holds a Bachelor Degree in Veterinary Medicine from the University of Nairobi with 15 years' experience. She is a representative of CECM.
9	 DOROTHY LENCER OCHIENG	Board Member. Technical and Strategy Committee Chair AGE: 55 An experienced development practitioner and gender specialist with a back ground in program management, strategic planning, policy. Holds a Degree in Development Studies from Maseno University and a Master's Degree in Project Planning and Management from the University of Nairobi with over a decade of professional experience. She is representing Private Sector.
10	 CHARLES OBONDO	Chief Officer Housing and Urban Development AGE: 37 A professional, ambitious and highly skilled in the field of urban planning, management and development with over 10 years working experience. Holds a Bachelor Degree in Urban Planning and Regional Planning from Maseno University.

4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	 MR SIGAR JAMES AGUMBA	<i>Municipal Manager</i> <i>Academic and Professional Qualification-</i> • Holds a degree in Gender and climate change from Egerton University • Currently pursuing Master's degree in Gender, Education and Development Studies at Egerton University. <i>Work Experience</i> Is a seasoned practitioner in leadership and governance and profoundly known for the astute passion and commitment to endeavours on sustainable urban planning and development with over 10 Years experience.
2.	 CPA MARTIN OMBEWA OJIERE	<i>Municipal Accountant</i> <i>Academic and Professional Qualification-</i> • Holds Bachelor's Degree in Commerce Accounting Option from Catholic University. • Currently pursuing Master's degree in Finance at Tom Mboya University. • Certified Public Accountant. CPA K • Diploma in Business Development from Kenya College of Insurance. <i>Work Experience</i> Is a highly skilled and dedicated finance professional with over 12 Years of experience in Finance, Accounting, Auditing and Risk Management.

3.	 FREDRICK ONYANGO WAREGA	Municipal Physical Planner Academic and Professional Qualification- • Holds a Degree in Urban and Regional Planning from University of Nairobi. • Masters in Urban Management and Development specializing in Urban Housing, Equity and Social Justice from Erasmus University Rotterdam. Work Experience Is a resilient new age urban planner with over eight years of experience in urban and regional planning.
4.	 LINDA ACHIENG OTIENO	Municipal Engineer Academic and Professional Qualification- • Holds a Bachelors in Civil Engineering from University of Nairobi. • Currently pursuing Master's degree in Transportation Engineering in the University of Nairobi. Work Experience A highly accomplished civil and structural engineer with a wealth of experience in project management, leadership and engineering innovation.
5	 ROBINSON OTIENO	Procurement Officer Academic and Professional Qualification- • Holds a Bachelor's Degree in Purchasing and Supplies Management from Dedan Kimathi University. Work Experience Is an expert in supply chain management, specializing in warehouse management, operations, inventory control, procurement and distribution.

6	 IRENE OPIYO	<i>Environmental Officer</i> <i>Academic and Professional Qualification-</i> • Holds a Degree in Environmental Science from Egerton University. • Currently pursuing Master's degree in Agricultural Extension at Kisii University <i>Work Experience</i> Is a passionate and innovative environmental officer with five years of experience in addressing environmental and climate change issues.
7	 TONNIA OKENO	<i>Social Development Officer</i> <i>Academic and Professional Qualification-</i> • Holds a Bachelor's Degree in Sociology from Egerton university. • Diploma in Project Management from Kenya Institute of Management. <i>Work Experience</i> Is a committed professional specializing in sociology, literature and project management with expertise in social safeguards and resettlement action plan implementation.

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 2024/2025, the Municipality of Homa Bay had printed estimates totalling to **KES 78,617,779** of which **KES 29,756,691** for recurrent expenditure while **KES 48,861,088** was meant for Capital Expenditure where **KES 37,861,088** was conditional grant from KUSP-UDG.

The Municipal had two Capital projects i.e. Construction of Bus Park at a tune of **KES 5,000,000**. The project reached contract agreement stage because of delayed disbursement of funds and acquisition of land for cemetery at **KES 4,000,000** which is awaiting Cabinet approval.

The Municipality managed to award tender for the Completion of Homa Bay Bus Park at a cost of **ksh 5 million**.

The Municipality faced a myriad of challenges including; underfunding from the County Government, Delayed payment of Suppliers and accruing pending bills.

The Board is a determined organ 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.

Challenges

Despite the progress made, the Municipality faced several challenges:

- **Limited Financial Resources:**

Budget constraints and delays in national government disbursements slowed down the implementation of some key projects, particularly infrastructure developments.

- **Rapid Population Growth:**

The rapid urbanization of Homa Bay town placed immense pressure on infrastructure, housing, and public services, highlighting the need for more sustainable urban planning.

- **Waste Management Issues:**

While the installation of waste bins helped address sanitation, limited resources for waste collection and disposal, along with inadequate public awareness, continued to hinder waste management efforts.

Lessons Learned

i. Community Involvement is Essential:

Citizen fora proved effective in ensuring that residents' concerns were addressed and that the Municipality's projects aligned with their needs. Continued community engagement will be a priority.

ii. Partnerships are Crucial:

Collaboration with development partners helps overcome resource constraints, especially in waste management and infrastructure development. Public-private partnerships (PPPs) will remain vital to our progress.

iii. Urban Growth Needs Proactive Planning:

Rapid urbanization underscores the need for long-term urban planning to ensure infrastructure and services keep pace with population growth.

Way Forward

i. Completion of Infrastructure Development:

The Municipality will continue upgrading access roads and focus on completing the Homa bay Bus Park. Securing additional funding through public- private partnerships will be crucial.

ii. Improve Waste Management:

We will increase the number of waste bins, expand collection services, and implement more public awareness campaigns on proper waste disposal practices.

iii. Strengthen Governance and Community Participation:

Regular citizen fora will continue to be held to enhance community involvement. We will also prioritize the development of more by-laws and strengthen the Municipal Board's capacity to ensure governance efficiency.

iv. Urban Planning and Sustainable Development:

The Municipality will develop a comprehensive urban plan to accommodate rapid population growth, ensuring sustainable land use and balanced infrastructure development.

Conclusion

The year 2024/2025 was marked by meaningful progress in key areas, laying a strong foundation for future growth. Despite the challenges faced, the Municipality of Homa Bay remains committed to improving infrastructure, governance, and community engagement. With continued collaboration and strategic planning, we are confident that Homa Bay will continue to prosper.

Signed.....

Name: Dr Antipas Abdallah Nyambok

Chairperson of the Board



6. Report of the Municipality 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 2024/2025, the Municipality of Homa Bay had printed estimates totalling to **KES 78,617,779** of which **KES 29,756,691** for recurrent expenditure while **KES 48,861,088** was meant for Capital Expenditure where **KES 37,861,088** was conditional grant from KUSP-UDG.

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 Homa Bay Municipality will begin to provide a policy framework for socio-economic investments, economic use of space, infrastructure services and public facilities within the Municipality.

The Municipality's achievement for the year 2024/2025 were as follows:

1. Retendering of the Homa Bay Bus Park for completion.

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
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 staffs 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 Municipality of Homa Bay to achieve its objectives and perform some of its development projects.

The Municipality of Homa Bay made significant progress during the 2024/2025 financial year, with notable achievements in infrastructure development, waste management, and community engagement. However, challenges such as financial constraints, technical capacity issues, and pending bills hindered full project execution. This report provides a concise overview of the year's accomplishments, challenges, and the way forward.

1. Achievements

• Installation of Waste Bins and Clean Environment Initiatives:

Waste bins were installed in key public areas, and regular cleanup campaigns were conducted. These efforts have significantly improved sanitation and cleanliness across the Municipality.

Community Engagement through Citizen Fora:

The Municipality held regular citizen fora, engaging residents in decision-making processes. These forums have helped align municipal projects with community needs, promoting transparency and inclusive governance.

• Collaboration with Development Partners:

We collaborated with development partners to secure financial and technical support towards the implementation of critical projects such as AKIBA Mazinani Trust is partnering with the County Government to develop local physical and land use development for Homa Bay Municipality.

• Governance and By-laws Development:

The Municipal Board regularly convened to ensure effective governance, while new by-laws are in the process to be developed to regulate urban management, public safety, and environmental conservation.

2. Challenges

- **Delayed Financial Disbursements:**

Delays in funding from the national government slowed the implementation of key projects. This, coupled with limited municipal resources, made it difficult to meet project timelines.

- **Waste Disposal Issues:**

Despite progress in waste management, inconsistent waste disposal practices by residents, especially in informal settlements, remain a persistent challenge.

- **Accumulation of Pending Bills:**

A significant challenge during the year was the accumulation of pending bills. The outstanding payments to contractors and suppliers have constrained municipal operations and weakened supplier relations.

3. Pending Bills

As at 30th June 2025, the Municipality's pending bills amounted to KES 1,919,748. These include payments for Office Laptops, Office Stationaries, Office Furniture, Cleaning Materials. Resolving these bills is critical for restoring financial stability and maintaining trust with service providers.

4. Way Forward

- **Diversify Revenue Streams:**

The Municipality will explore new ways of generating revenue, such as reviewing business licenses and expanding public-private partnerships (PPPs), to reduce reliance on national government disbursements.

- **Capacity Building for Staff:**

Investing in technical training for municipal staff will enhance their ability to manage and execute development projects more efficiently. This includes capacity building in urban planning, waste management, and project execution.

- **Improve Waste Management:**

We plan to modernize waste management by introducing better collection systems and expanding public awareness on proper waste disposal. Partnering with private waste management companies is also being explored.

- **Digitize Municipal Operations:**

To improve efficiency and transparency, we will digitize key municipal functions such as revenue collection, waste management, and project monitoring

5. Recommendations

- **Address Pending Bills:**

Urgent action is required to clear the pending bills through structured payment plans. This will restore credibility with contractors and ensure smooth project execution.

- **Enhance Financial Planning:**

Better budget planning and execution are essential to prevent the accumulation of debts. Improved financial management will ensure that the Municipality meets its financial obligations on time.

- **Strengthen Urban Planning:**

The rapid growth of Homa Bay town requires a comprehensive urban master plan. This will guide sustainable land use, infrastructure development, and public services management.

Conclusion

The 2024/2025 financial year was marked by notable progress, particularly in infrastructure, waste management, and community engagement. However, challenges such as financial constraints and technical capacity issues need to be addressed to maintain momentum. With a clear focus on strengthening financial planning, capacity building, and revenue diversification, the Municipality of Homa Bay is well-positioned to continue delivering quality services to its residents.

Signed:



Name: Sigar James Agumba

Municipality Manager

Municipality of Homabay



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

The key development objectives of the Homa Bay Municipality for the 2024- 2025 plan are to:

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 shall prepare financial statements in respect of the Homa Bay Municipality in formats to be prescribed by the Accounting Standards Board including a statement of the County Government Municipality's performance against predetermined objectives. The key development objectives of the Homa Bay Municipality are to:

a) Provide Quality Physical Infrastructure

This involves the development and maintenance of infrastructure within the municipality, such as:

- Roads and transport networks
 - Water and sanitation systems
 - Street lighting
 - Public buildings and recreational facilities
 - Drainage systems
 - Waste management facilities
- Ensuring that these infrastructures are of high quality and meet the community's needs is essential for fostering economic growth and improving residents' quality of life.

b) Promote proper Environmental Management and Conservation Services

Environmental sustainability is crucial for urban areas. This includes:

- Managing waste, including recycling and reduction strategies
- Preserving natural resources such as parks, wetlands, and rivers
- Controlling pollution (air, water, soil)
- Promoting green spaces and tree planting
- Implementing sustainable urban development policies, the goal is to balance development with environmental stewardship.

c) Promote Municipal Planning Services

Municipal planning is vital for organized growth and development, covering areas like:

- Land use and zoning regulations
 - Urban design and development control
 - Housing policies and affordable housing initiatives
 - Public transportation planning
 - Spatial planning to anticipate future needs
- Effective planning services ensure sustainable urban growth and prevent problems like overcrowding or unplanned settlements.

d) Provide Urban Governance and Administration Services

Urban governance encompasses the management of city resources, with a focus on:

- Ensuring accountability, transparency, and citizen participation
 - Managing municipal finances and budgets effectively
 - Overseeing municipal employees and services
 - Developing and enforcing local policies, laws, and regulations
 - Encouraging public engagement and partnerships with stakeholders
- good governance ensures that the municipality runs efficiently and meets its social and economic obligations

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Below we provide the progress on attaining the stated objectives:

Programme Name	Municipal Planning Services					
Objective	To enhance land use planning, economic development and integrated planning					
Outcome	Properly guided and formalized development					
Sub-Programme	Key Outputs	Key Performance Indicators	Targets			Remarks
			Baseline	Planned	Achieved	
Policies, plans and bi-laws review and development	Approved Homa Bay Municipal By-laws	Existence of Homa bay municipal by-law	1	1	1	The draft by law have been prepared awaiting approval
	Revised Integrated Development Plan (IDeP) for Homa Bay Municipality	Existence of updated IDeP	1	1	1	The IDeP was revised as per the law
	Adopted Annual	No. of Annual	1	1	1	The AUIP was
	Urban Investment Plan	Urban Investment Plan prepared				prepared and adopted by the Board
	Strategic plan for Homa Bay Municipality	Existence of Revised strategic plan	0	1	0	Project was not done due to insufficient funding

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Programme Name	Infrastructure development					
Objective	To improve basic services within the municipality					
Outcome	Enhanced basic service within the municipality					
Sub-Programme	Key Outputs	Key Performance Indicators	Targets			Remarks
			Baseline	Planned	Achieved	
Infrastructural Development services	Constructed non-motorized (NMTs) Facilities	Length of footpaths constructed (Km)	3	3	0	This has been achieved Successfully
	Construction of Homa Bay Bus Park	% of Physical completion of the Homa Bay Bus Park	0	100	90	The project was slowed down by litigation issues

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Programme Name	Administrative and support services					
Objective	To improve the work environment, administration and governance					
Outcome	Improved service delivery					
Sub-Programme	Key Outputs	Key Performance Indicators	Targets			Remarks
			Baseline	Planned	Achieved	
Planning, administration and governance services	Board Meeting Minutes	No. of Board Meetings held per year	4	4	4	The board held 4 ordinary meetings and 2 special meetings over the last one year
	Board Committee Meeting minutes	No. of Board Committee Meetings held per year	4	4	2	A total of 2 BoardSub-committee meetings

a) Sector Challenges

- **Infrastructure Deficit:** Inadequate road networks, poor drainage systems, and insufficient public amenities. **Limited Financial Resources:** Budget constraints limiting the execution of development projects and maintenance of existing infrastructure.
- **Waste Management:** Challenges in solid waste collection and disposal, leading to environmental degradation.
- **Urban Planning Issues:** Uncontrolled urban sprawl, lack of adherence to zoning regulations, and informal settlements.

b) Emerging Issues

- **Urbanization Pressure:** Rapid population growth increasing demand for housing, infrastructure, and services.
- **Technology Integration:** The need to incorporate smart technologies in urban management and service delivery.
- **Climate Change Impact:** Increased frequency of extreme weather events affecting infrastructure and livelihoods.
- **Public Health:** Rising concerns about public health due to poor sanitation and lack of clean water.
- **Youth Unemployment:** Growing unemployment rates among the youth, leading to social and economic challenges.
- **Community Participation:** Increasing demand for greater public involvement in decision-making processes.

c) Lessons Learnt

- **Community Engagement is Key:** Successful implementation of development projects requires active community participation.
- **Sustainable Planning:** Long-term, sustainable urban planning is essential to manage growth and environmental challenges effectively.
- **Collaboration with Stakeholders:** Working closely with government agencies, NGOs, and private sector partners enhances project success.
- **Adapting to Change:** Flexibility in planning and project execution is crucial to address emerging challenges effectively.
- **Capacity Building:** Continuous training and capacity building of municipal staff improve service delivery and project management.

d) Recommendations

- **Increase Budget Allocation:** Advocate for increased financial resources to support infrastructure development and maintenance.
- **Enhance Urban Planning:** Implement stricter zoning regulations and enforce urban planning guidelines to manage urban growth.
- **Strengthen Waste Management:** Invest in waste management infrastructure and promote community awareness on waste disposal.
- **Promote Environmental Conservation:** Develop and implement policies focused on environmental sustainability and climate change adaptation.
- **Leverage Technology:** Integrate technology in public service delivery and urban management to improve efficiency.
- **Boost Public Service Delivery:** Streamline processes, reduce bureaucracy, and improve responsiveness to public needs.
- **Youth Empowerment Programs:** Develop programs aimed at reducing youth unemployment through skills training and entrepreneurship support.
- **Improve Community Involvement:** Enhance mechanisms for public participation in planning and decision-making processes.

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 95%
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 2024/2025 the recarpeting of C19 road to Tom Mboya has been done 100% completed. St. Paul's Road to State lodge has been completed 100%

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				The rehabilitation of the bus park and Retendering of Bus Park has been initiated
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	200	Not Achieved fully due to inadequate budget

e. Conclusion

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

Risk Management Strategies

The Municipality identified and undertook an assessment of impending risks to effective and efficient operations. These risks are environmental, political, organizational, operational, financial and technological in nature and affect implementation of programmes and its outcomes. The foregoing risks call for accountability, monitoring and reporting on mitigation factors so as to ensure a prosperous Municipality. Using the Low, Medium and High risk ranking on the basis of Likelihood and impact, the significant risks are highlighted as follows:

Key Risks	Likelihood (H/M/L)	Impact (H/M/L)	Contingency Plan/ Steps to Mitigate Risk	Person(s) Responsible
Political instability and Insecurity (e.g. election unrest, terrorism etc.)	Low	High	Utilizing already existing county government structures, national government and other key actors	Office of the Governor

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Limited Financial Resources	Medium	High	Development of sustainable income generating programmes	CEC and Chief Officer
Insufficient collaboration, cooperation and strategic partnerships with relevant stakeholders (PPP)	Medium	High	Enhancing partnerships with various stakeholders	Municipality Board/ CEC
Few technical staff	Medium	High	- Identifying, developing and retaining the requisite human resources to support the strategy implementation - Provide a competitive remuneration and benefits policy	Public Service Board
Rapid technological advancement	Medium	High	Integrating information and communication technologies in the processes of services provision	Directors

Sign

Mr. Sigar James Agumba
Municipal Manager
Municipality of Homa Bay



8. Corporate Governance Statement

8.1 Process of Appointment and Removal of Board Members.

Homa Bay Municipal board members were appointed as provided for in section 11 of Urban Areas and Cities (Amendment) Act, 2019). Upon nomination the names of the nominees were forwarded to the County assembly of Homabay for vetting and subsequent approval.

The removal of respective Board Members is guided by Urban Areas and Cities Act, 2011 section 18 which provides as follows:

- (1) A person may be removed from the office of chairperson, vice chairperson or a member of the board on any of the grounds provided under section 16 (a), (b), (c), (e), (f), (g), (h), (i) and (j)
 - (a) A person may be removed under subsection (1);
 - (b) by the county governor;
 - (c) by the board, supported by the vote of at least two-thirds of the members of the board; or
 - (d) upon petition by the residents of a city or municipality.
- (3) A resident of a city or municipality may file a writing petition with a board for the removal of a chairperson or vice chairperson.
- (4) The procedure for the removal or petition for removal of a chairperson or vice chairperson under subsections (1) and (2) shall be provided by regulations.

8.2 Roles and Functions of The Municipality of Homa Bay Board Members.

Pursuant to Article 184 of the Constitution of Kenya, section 48 (1) (a) of the County Governments Act, 2012, sections 9 (1) and Section 20 of the Urban Areas and Cities Act, 2011 and section 6 of the Homa Bay Municipal Charter, the Governor, Homa Bay County transferred the under listed functions to the Municipal Board of Homa Bay—

- (a) Oversee the affairs of Municipality of Homa Bay;
- (b) Develop and adopt policies, plans, strategies and programmes, and set targets for delivery of services;
- (c) Formulate and implement integrated development plan;
- (d) Maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board;
- (e) Administer and regulate its internal affairs;
- (f) Implement applicable national and county legislation;
- (g) Enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions as required under the law;
- (h) Monitor and, where appropriate, regulate municipal services where those services are provided by service providers other than the board of the municipality; (i) prepare its budget for approval by the county executive committee and administer the budget as approved;
- (i) Monitor the impact and effectiveness of any services, policies, programmes or plans;
- (j) Establish, implement and monitor performance management systems;
- (k) Promote and undertake infrastructural development within the Municipality
- (l) Promote a safe and healthy environment; and
- (m) Perform such other functions as may be delegated by the county government or as may be provided for by any written law. The transfer of the above functions took effect immediately.

8.3 Induction and Training of Municipality Board Members and Member's Performance.

As at the time of establishment of the board the County government of Homa Bay through the department of Physical Planning and urban development conducted induction exercises to board members. The induction focused on the following areas:

- Roles/functions of the Municipal Board
- Relationship between the Municipal Board and County government departments/other devolve units
- Structure of Kenya Urban Support Program

In the financial year under review board members were taken through one training which focused on KUSP II projects and preparation of various Cities/Municipal plans.

8.4 Number of Municipality Board Meetings Held and The Attendance to those meetings by members.

In the financial year 2024/2025 the Homa Bay Municipal Board conducted a total of 4 sittings. The four ordinary meetings were done once every quarter of the year. Homa Bay Municipal Board also has 3 committees which include: Finance Committee, Monitoring and Evaluation Committee and Environment and Planning Committee.

8.5 Succession Plan.

As per the applicable law the board of municipality shall be body corporate with perpetual succession and common seal. Each member of the board shall hold office for a term of five years, on part time basis.

8.6 Existence of a Service Charter.

Municipality of Homa Bay has a service charter which was gazzeted on Gazette Notice No 6470 dated 9th July 2019 in the Kenya Government gazette. The charter formed the basis of conferment the status of Municipality to Homa Bay town. The charter outlines how the operations of the municipality are undertaken.

8.7 Board Remuneration.

As per the law the Board Members are not entitled to salaries since they work on part-time basis. However, the individual members are being paid sitting and lunch allowances as per the circular from Salaries & Remuneration Commission dated 27th February, 2019 Ref: SRC/TS/CG/3/61/19 (38)

8.8 Board Remuneration.

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

8.9 The Board Members 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 Municipality 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.

9.0 The Powers and Objects 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

This report provides an overview of the operational and financial performance of Homa Bay Municipality for the financial year ended 30th June 2025, covering key projects, statutory compliance, risks, material arrears, and other relevant information.

a) Operational and Financial Performance

Operational Performance:

During the year, the Municipality of Homa Bay undertook significant projects that enhanced infrastructure, governance, and community engagement. Key operational achievements include:

- **Opening and Graveling of Access Roads:**

Several key access roads were opened and graveled, improving connectivity to markets, schools, and healthcare facilities.

- **Waste Management and Environmental Initiatives:**

The installation of waste bins and regular clean-up campaigns contributed to improved public sanitation.

- **Community Engagement:**

Through regular citizen fora, the Municipality engaged residents in decision-making processes, enhancing transparency and accountability.

- **Governance and Planning:**

The Municipality developed and adopted several key documents, including the **Integrated Development Plans (IDePs)** and **Draft By-laws** aimed at improving urban management and regulation.

Financial Performance:

Despite these achievements, the Municipality faced financial challenges due to delayed disbursements from the national government, affecting project timelines. The Municipality accumulated pending bills of KES 1,154,288, reflecting financial strain. Additionally, efforts were made to diversify revenue streams and secure external funding.

b) Key Projects or Investment Decisions Implemented or Ongoing

i. Development of Integrated Development Plans (IDePs):

Comprehensive planning documents were developed to guide the long-term urban development of Homa Bay. These plans outline priority areas, such as infrastructure, housing, and environmental sustainability.

ii. Draft By-laws:

The Municipality developed draft by-laws aimed at improving urban governance, waste management, and public safety. These by-laws are pending approval and will strengthen regulatory frameworks.

iii. UDG Funding:

The Municipality is funded by the world bank to undertake the key infrastructure development and waste management projects.

iv. Ongoing Construction and Waste Management Initiatives:

Completion of the Homa Bay Bus Park is in the planning stages, and the Municipality continues to prioritize waste management improvements through public- private partnerships.

c) Compliance with Statutory Requirements

Homa Bay Municipality remained compliant with statutory requirements, including financial reporting, environmental regulations, and procurement laws. The development of IDePs and by-laws aligns with national urban planning requirements, while annual financial audits were conducted to ensure accountability. However, challenges such as delayed disbursement of funds affected the timely settlement of statutory obligations.

d) Major Risks Facing the Municipality and Material Arrears Major Risks:

1. Financial Strain and Accumulation of Pending Bills:

The accumulation of pending bills has resulted in operational delays and strained relationships with contractors. Resolving these arrears is a priority to maintain service delivery.

2. Urbanization Pressure:

Rapid urbanization in Homa Bay is exerting pressure on the Municipality's infrastructure and services, highlighting the need for comprehensive planning and resource mobilization.

3. Waste Management:

Waste management remains a challenge, with inconsistent disposal practices and insufficient public awareness posing environmental and health risks.

Material Arrears:

As at 30th June 2025, the Municipality's outstanding bills totalled **KES 1,919,748** including payments for essential services such as road maintenance, fuel supply, waste bin installation, and recreational park construction.

e) Other Relevant Information

• External Funding Efforts:

The funding proposal submitted to the World Bank marks a significant effort to secure international funding for key projects. This external support is critical for addressing the Municipality's financial shortfalls.

• Public-Private Partnerships:

The Municipality is exploring public-private partnerships (PPPs) to improve service delivery, particularly in waste management and infrastructure development.

Conclusion

Homa Bay Municipality made significant progress in infrastructure, governance, and community engagement during the 2024/2025 financial year. However, financial constraints, pending bills, and rapid urbanization pose ongoing challenges. Moving forward, the Municipality will focus on resolving financial obligations, diversifying revenue sources, and strengthening urban planning to ensure sustainable growth.

The Municipality of Homa Bay operates and spends funds within the requirements of the Public Finance Management Act 2012 and other relevant laws.

10. Environmental and Sustainability Reporting

i. Sustainability Strategy and Profile

The Homa Bay Municipality core mandate is to provide essential public services, including infrastructure development, waste management, urban planning, and environmental conservation, to ensure a sustainable and liveable urban environment for all residents. The Municipality's sustainability strategy is built on the principle of delivering long-term services while conserving resources for future generations. This includes reducing the environmental impact of operations, promoting public health, and engaging the community in sustainable development initiatives.

Sustainability in this context is about maintaining the capacity of Homa Bay to continue delivering public services efficiently over the long term while adapting to emerging political, economic, and environmental challenges. The Municipality's leadership, particularly the Accounting Officer, is committed to ensuring that sustainability considerations are embedded in strategic decision-making processes. This commitment aligns with international best practices such as the United Nations Sustainable Development Goals (SDGs) and Kenya's Vision 2030, with a focus on reducing inequality, promoting environmental conservation, and ensuring economic stability.

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.

During the 2024/2025 financial year, the Municipality made significant strides in improving public infrastructure and environmental management, although financial constraints and the rapid pace of urbanization presented challenges. Moving forward, the focus will be on enhancing community engagement, improving waste management systems, and expanding partnerships with development stakeholders to promote sustainable urban growth.

ii. Environmental performance

Environmental Policy and Practices:

Homa Bay Municipality's environmental policy focuses on sustainable urban development, waste management, conservation of natural resources, and pollution control. The policy is anchored on principles of reducing the environmental footprint of Municipal operations and promoting eco-system practices across the community. This year, the Municipality implemented initiatives to promote recycling, reduce plastic waste, and increase green spaces by Planting trees in urban areas.

Area of Successes:

- Installation of waste bins across key areas in the Municipality improved waste collection efficiency.
- Completion of Homa Bay Governor's Recreational Park added much-needed green space, promoting biodiversity and enhancing urban aesthetics.
- Regular clean-up campaigns were conducted in collaboration with local communities, reducing littering and illegal dumping.

Shortcomings:

- Waste management remains a challenge, particularly in informal settlements where waste disposal practices are inconsistent.
- The Municipality still lacks an efficient recycling system, and efforts to reduce reliance on single-use plastics are ongoing but need to be scaled up.

Efforts to Manage Biodiversity:

The Municipality is actively working on increasing urban green spaces, including Tree planting programs and the preservation of existing natural habitats are part of ongoing efforts to promote biodiversity.

Waste Management Policy:

Homa Bay Municipality has a waste management policy focused on reducing landfill waste, promoting recycling, and improving waste collection systems. The Municipality is exploring partnerships with private waste management companies to improve efficiency and expand recycling programs

iii. Employee welfare

Hiring and Gender Ratio:

The Municipality's hiring policy emphasizes inclusivity, with a focus on achieving gender balance across all departments. Currently, the Municipality aims for at least 30% female representation in its workforce, in line with Kenya's public sector guidelines. Stakeholder engagement is key in the recruitment process, ensuring that local community needs and employment equity are considered. 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).

Skills Development and Career Management:

The Board members and staff are taken on periodic capacity building training to improve their skills and managing careers, appraisal and reward systems. These initiatives focus on building capacity in urban planning, waste management, and environmental conservation. The Municipality's career development policy includes regular appraisals, which inform promotions and reward systems.

Occupational Safety and Health:

Homa Bay Municipality complies with the Occupational Safety and Health Act of 2007 (OSHA), providing a safe working environment for all employees. Regular safety audits are conducted, and employees receive training on workplace safety practices. The Municipality has established protocols for managing occupational hazards, ensuring the health and well-being of staff.

iv. Market place practices

a) Responsible Competition Practices:

The Municipality of Homa Bay operates with a strong commitment to transparency and integrity in its operation dealings. Anti-corruption policies are strictly enforced, with regular audits conducted to ensure accountability. The Municipality also avoids involvement in political activities and promotes fair competition in public tenders and procurement processes.

b) Responsible Supply Chain and Supplier Relations:

The Municipality maintains strong relations with its suppliers by adhering to contractual obligations and ensuring timely payment for services rendered. 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. However, delayed national government disbursements have caused some payment delays, which the Municipality is addressing through structured payment plans. Ensuring good business practices with all stakeholders remains a priority.

c) Responsible Marketing and Advertisement:

The Municipality adheres to ethical standards in all its communications and marketing, ensuring that information provided to the public is accurate, fair, and transparent. Public notices and tender announcements follow ethical guidelines, ensuring fairness and clarity in messaging.

d) Product Stewardship:

Homa Bay Municipality is committed to safeguarding the rights of its residents by ensuring that public services are delivered efficiently and that consumer feedback is incorporated into service improvements. This stewardship includes maintaining public infrastructure, promoting environmental sustainability, and ensuring the well-being of the community.

v. Corporate Social Responsibility/Community Engagements

Community Social Responsibility (CSR):

Homa Bay Municipality has actively engaged the community through various CSR initiatives aimed at promoting social welfare and environmental sustainability. 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. Key CSR activities include:

• Clean-up campaigns:

The Municipality organized several clean-up exercises in collaboration with local youth groups and community organizations, contributing to cleaner streets and public spaces.

• Education and Training Programs:

The Municipality partnered with local educational institutions to offer training on environmental conservation, waste management, and sustainable urban development.

• Healthcare and Sanitation Initiatives:

In collaboration with local health Centres, the Municipality ran public health campaigns focusing on sanitation and disease prevention, improving community health outcomes.

Sports and Youth Empowerment:

Homa Bay Municipality has also supported local sports events as part of its commitment to youth empowerment and community well-being. These initiatives foster community spirit and provide platforms for young people to engage in productive activities.

Water and Sanitation:

Efforts to improve water access and sanitation in informal settlements are ongoing, with the Municipality investing in infrastructure upgrades to improve access to clean water and adequate sanitation facilities for all residents.

Conclusion.

Homa Bay Municipality remains committed to sustainable development, environmental stewardship, and community engagement. Although challenges such as financial constraints and waste Management persist, the Municipality is making steady progress in delivering services that promote long-term sustainability. By aligning its efforts with national and international best practices, Homa Bay Municipality aims to enhance the quality of life for all its residents while ensuring a sustainable urban future.

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 as contained in the section 20 of Urban areas and Cities Act, 2011.

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 2025 are set out on page 1

Board Members

The members of the Board who served during the year are shown on pages VII, VIII and IX. 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

Sign _____

Name: Sigar James Agumba

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

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

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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.

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 **9th August 2025** and signed on its behalf by:



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



Name: Sigar James Agumba
Accounting officer of the Board

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MUNICIPALITY OF HOMA BAY FOR THE YEAR ENDED 30 JUNE, 2025

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 Homa Bay 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 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, 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Budget Adjustments

The statement of comparison of budget and actual amounts reflects budget adjustments amounting to negative Kshs.74,891 on incomes and negative Kshs.1,058,480 that was transferred from use of goods and services to capital expenditure. However, the adjustments were 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.74,891 and Kshs.1,058,480 could not be confirmed.

2. Lack of Ownership Documents – Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.263,700,669 which, as disclosed in Note 17 to the financial statements, comprises land and buildings, roads and infrastructure, computers and printers, and furniture and fittings. However, 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.263,700,669 could not be confirmed.

3. Failure to Maintain a Deposits/Retention Bank Account

The statement of financial position does not reflect any deposits and retention balance. The Management did not maintain a deposits/retentions 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 and completeness of deposits/retentions could not be confirmed.

The audit was conducted in accordance with the International Standards of 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 a final budget and actual on comparable basis amounts of Kshs.78,542,888 and Kshs.24,950,000 respectively, resulting in underfunding of Kshs.53,592,888 or 68% of the budget. Similarly, the statement reflects final capital expenditure budget amount of Kshs.49,919,568 which was not utilized.

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 effect of the matters

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

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Municipality in 2024/2025 revealed that the following matters remained unresolved:

S/No.	Financial Year	Audit Issue
1	2023/2024	Inaccuracies in the Financial Statements
2	2023/2024	Unsupported Budget Adjustments
3	2023/2024	Lack of Ownership Documents - Property Plant and Equipment
4	2023/2024	Failure to Maintain a Deposits/Retention Bank Account
5	2023/2024	Budgetary Control and Performance
6	2023/2024	Failure to Collect Own Generated Revenue
7	2023/2024	Delayed Fencing and Gabion Protection at Homa Bay Municipal Market Phase - III
8	2023/2024	Lack of Monitoring and Evaluation Framework and Reports
9	2023/2024	Failure to Adhere to Budget Timelines
10	2023/2024	Functions not Transferred to the Municipality
11	2023/2024	Lack of Independence of Homa Bay Municipality
12	2023/2024	Lack of Approved Staff Establishment
13	2023/2024	Failure to Achieve Strategic Priorities by the Municipality

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 THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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. Failure to Collect Own Generated Revenue

The statement of financial performance indicates that the Municipality was financed solely through revenue allocated by the County Government. This was 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 the 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. As a result, the Municipality may not achieve its objectives and goals as outlined in the Charter.

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

2. Stalled Fencing and Gabion Protection at Homa Bay Municipal Market Phase 3

As reported in the previous year, the Municipality awarded contract for the proposed fencing and gabion protection works at Homa Bay Municipal Market Phase 3 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. The interim certificate provided for audit indicated that the total work done was valued at Kshs.8,566,855. However, audit inspection in September, 2025 revealed that the project was incomplete and the columns were partly erected, walling partly done and the grills fixed in some of the sections. The gates had been vandalized and grills missing in some sections.

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

3. Functions not Transferred to the Municipality

The statement of performance against predetermined objectives for the year under review indicates 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 was contrary to Section 8(1) of the Homa Bay Municipality 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.

4. 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, Management was in breach of the law.

5. 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 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 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 effects of 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

As reported in our previous reports, 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 deliverables are 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 and 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, 2019-2025.

In the circumstances, the effectiveness of governance in the Municipality could not be confirmed.

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

Responsibilities of the Management and 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.

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

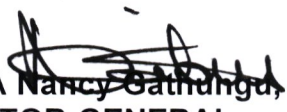
Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Oathungu, CBS
AUDITOR-GENERAL

Nairobi

22 October, 2025

Homa bay Municipality
County Government of Homa Bay
Annual Report and Financial Statements for the year ended June 30, 2025

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

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	2,750,000	1,470,000
Public contributions and donations		-	1,194,559
Other revenues (Direct payments by County Government)	7	22,200,000	22,833,380
Income from Non-exchange Transactions		-	254,041
Total revenue		24,950,000	25,751,980
Expenditure			
Use of goods and services	9	2,957,406	2,055,186
Staff costs	10	22,245,000	22,330,000
Board expenses	11	381,000	468,000
Depreciation and amortization	12	7,279,360	7,428,836
Total expenses		32,862,766	32,282,022
Surplus/(Decifit) for the period		(7,912,766)	(6,530,042)

The notes set out on pages 7 to 29 form an integral part of these Financial Statements. The Homa Bay Municipality financial statements were approved on 9th August 2025 and signed by:

.....
Name: Sigar James Agumba
Municipality Manager

.....
Name: CPA Martin Ombewa Ojiere
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, 2025

15. Statement of Financial Position as at 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	13	1,870	188,472
Receivables from Non-Exchange Transactions		155,441	155,441
Total current assets		157,311	343,913
Non-current assets			
Property, plant, and equipment	17	263,700,669	270,226,019
Total Non-current Assets		263,700,669	270,226,019
Total Assets (A)		263,857,980	270,569,932
Liabilities			
Current liabilities			
Creditors/ Trade payables as at 30.06,2025	14	1,999,293	1,048,480
Total current liabilities		1,999,293	1,048,480
Non-current liabilities		-	-
Total liabilities (B)		1,999,293	1,048,480
Total Net Assets (A-B)		261,858,687	269,521,452
Represented by:			
Accumulated Surplus		260,664,128	269,521,452
Capital Fund/Development Grants		1,194,559	-
Net Assets/Equity		261,858,687	269,521,452

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Homa Bay Municipality financial statements were approved on the date of 9th August 2025 and signed by

Name: Sigar James Agumba

Municipality Manager

Date: 9th August 2025

Name: CPA Martin Ombewa Ojiera

Head of Accounting Services

ICPAK M/No. 27659

Date: 9th August 2025

16. Statement of Changes in Net Assets for the Year Ended 30 June 2025

Description	Equity Capital/Develo pment Grant/Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.
Balance as at 1 July 2023	-	276,051,494	276,051,494
Surplus/(deficit) for the year 2023/2024	-	-6,530,042	-6,530,042
Balance as at 30 June 2024	-	269,521,452	269,521,452
Balance as at 1 July 2024	-	269,521,452	269,521,452
Prior year Adjustment	1,194,559	(1,194,559)	-
Adjusted voided Supply of Refined Fuel in the IFMIS	-	250,000	250,000
Surplus/(deficit) for the year 2024/2025	-	(7,912,766)	(7,912,766)
Balance as at 30th June 2025	1,194,559	260,664,128	261,858,687

Homa bay Municipality
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17. Statement of Cash Flows for the Year Ended 30th June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government		2,750,000	1,220,000
Public contributions and donations		-	1,194,559
Total Receipts		2,750,000	2,414,559
Payments			
Use of goods and services		2,424,413	891,826
Staff costs		45,000	90,000
Board expenses		381,000	140,000
Total Payments		(2,850,413)	(1,121,826)
Net cash flows from operating activities	15	(100,413)	1,292,733
Cash flows from investing activities			
Renovation – Homa Bay Municipal Market		-	(1,350,000)
Road Construction-ABSA to St Paul		-	(3,140,867)
Purchase of Waste Bins		(86,189)	-
Net cash flows used in investing activities		(86,189)	(4,490,867)
Net increase/(decrease) in cash & cash equivalents		(186,602)	(3,198,134)
Cash And Cash Equivalents At 1 July 2024		188,472	3,386,606
Cash And Cash Equivalents At 30 June 2025		1,870	188,472

Name: **Sigar James Agumba**

Municipality Manager

Date: 9th August 2025

Name: **CPA Martin Ombewa Ojiere**

Head of Accounting Services

ICPAK M/No. 27659

Date: 9th August 2025



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

Description	Original Budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the previous year*	-	188,472	188,472	188,472	-	-
Receipts						
Transfers from the County Government	78,617,779	(74,891)	78,542,888	24,950,000	53,592,888	31.77%
Total Receipts	78,617,779	(74,891)	78,542,888	24,950,000	53,592,888	31.77%
Payments						
Use of goods and services	6,111,419	(1,058,480)	4,978,048	2,957,406	2,020,643	59.41%
Board expenses	700,000	-	700,000	381,000	319,000	54.43%
Staff Costs	22,945,272	-	22,945,272	22,245,000	700,272	96.95%
Finance costs	-	-	-	-	-	-
Total Expenditure Payments	29,756,691	(1,058,480)	28,623,320	25,583,406	3,039,915	89.38%
Capital Expenditure Payments	48,861,088	1,058,480	49,919,568	-	49,919,568	0%
Surplus/(Deficit) for the period	-	-	-	(633,406)	633,406	-

Budget Notes

- The reduction in budget was due to a projection in own source revenue drop to mitigate unrealized OSR
- The low budget utilization of 31.78 % is due to insufficient funds to the Municipality.
- The board expenses have been spent to 54% due to funds delay. The staff cost has been utilized fully as budgeted
- The use of goods has been utilized by approximately 60% of its budgeted.
- The Budget difference was as a result of normal budget Supplementary adjustments

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(633,406)
1	Decrease in Direct Payment by the County Government	(22,200,000)
2	Decrease in Direct Payments of Staff Cost by the County Government	22,200,000
3	Decrease in use of Goods	532,993
4	Increase in Cash of purchase of Waste Bins	(86,189)
	Total Net Cash outflows	(186,602)
	Cash and Cash equivalent as at 01.07.2024	188,472
	Closing Cash and Cash Equivalent as per the statement of Cash flows as at 30.06.2025	1,870

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 Homa Bay Municipality'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 *Municipality'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 Homa Bay Municipality.

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

3. Application of New and revised standards (IPSAS)

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable 1st January 2025: 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 Municipality's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • 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 Municipality's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable 1st January 2025 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting municipality provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Municipality. (b) The key features of the operation of those social benefit schemes; and

Standard	Effective date and impact:
	(c) The impact of such social benefits provided on the Municipality's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2025: - Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. - Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. - Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. - 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.
Other improvements to IPSAS	Applicable 1st January 2025 <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 30th June 2025.

Standard	Effective date and impact:
IPSAS 43	Applicable 1st January 2025 The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees

County Government of Homa Bay
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Annual Report and Financial Statements for the year ended June 30, 2025

Standard	Effective date and impact:
	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 Municipality. The new standard requires municipalities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<i>Applicable 1st January 2025</i> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45: Property Plant and Equipment	<i>Applicable 1st January 2025</i> The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46: Measurement	<i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:

Standard	Effective date and impact:
	i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47: Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that municipality shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48: Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector geared to provide guidance to municipalities that provide transfers on accounting for such transfers.
IPSAS 49: Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii. Early adoption of standards

The Homa Bay Municipality 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 Agencies

Revenues from non-exchange transactions with other government municipalities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Municipality and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that 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 2024/2025 was approved by the County Assembly on 28th June 2024. 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 Ksh 1,058,480 on April 2025 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 at Land, Buildings at 4%, Computers and Laptops at 30% and Furniture and Fittings at 12.5%. 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 Municipality 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 municipality and a financial liability or equity instrument of another municipality. At initial recognition, the municipality 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 Homa Bay Municipality 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 municipality'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 municipality 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 Homa Bay Municipality 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 municipality 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.

(Significant accounting policies continued)

Trade and other receivables

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

Impairment

The municipality 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 municipality 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).

Financial liabilities

Classification

The municipality 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 municipality 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 municipality 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 municipality 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.

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Notes to the Financial Statements

6. Transfers from the County Government- Total Income

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from County Govt. –Equity Bank Recurrent-A/c no.	2,750,000	1,470,000
Transfers from UDG –KCB Bank Development -A/c no.	-	1,194,559
Total	2,750,000	2,664,559

(a) Transfers from County Government (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance*	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2023-2024
	Kshs	Kshs			
			Kshs	Kshs	Kshs
Homabay County Treasury	2,750,000	-	-	-	2,664,559
Total	2,750,000	-	-	-	2,664,559

7. Direct Payments on Behalf of the Homa Bay Municipality by County Government

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Recurrent Payments	22,200,000	22,833,380
Total	22,200,000	22,833,380

8. Public Contributions and Donations

Description Receivables from Non- Exchange Transactions	2024/2025	2023/2024
	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	155,441

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9. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	197,500	28,440
Communication, supplies and services	26,600	1,000
Domestic travel and subsistence	1,621,720	721,560
Printing, advertising, supplies & services	98,100	15,000
Training expenses	96,800	-
Hospitality supplies and services	133,800	-
Office and general supplies and services	138,700	40,890
Routine maintenance – other assets	102,300	81,300
Bank Charges	8,893	3,636
Sub Total	2,424,413	891,826
Direct Payments by the County Government		
Domestic Travel & Subsistence	-	249,600
Office and general supplies and services	261,543	414,280
Fuel, oil and lubricants	-	250,000
Stationary	271,450	249,480
Sub Total	532,993	1,163,360
Total Use of goods	2,957,406	2,055,186

10. Staff Costs

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Salaries and wages	19,489,764	22,240,000
Statutory Deductions	2,710,236	-
Casual labour/Wages	45,000.00	90,000
Total	22,245,000	22,330,000

11. Board Expenses

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Board Sitting allowances	381,000	140,000
Sub Total	381,000	140,000
Direct Payments by County Government		
Sitting Allowances	-	328,000
Total board expenses	381,000	468,000

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12. Depreciation Movement Schedule

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Total Property, Plant and Equipment -Note 17	7,279,360	7,428,836
Total	7,279,360	7,428,836

13. Cash and cash equivalents

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Current account	1,870	188,472
Total cash and cash equivalents	1,870	188,472

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

Financial institution	Account number	2024/2025	2023/2024
		Kshs.	Kshs.
a) Current account			
Kenya Commercial bank Acc 1247953181		1,216.09	87,405
Equity Bank Acc 0980279269135		654.45	101,067
Grand total		1,870.54	188,472

14. Supplier's Balances as at 30.06,2025

Name of Supplier	Account Number	2024/2025	2023/2024
		Kshs.	Kshs.
M/S Frankkogal Enterprises	Office Laptops	814,010	320,000
M/S Sylacome Enterprises	Office Stationaries	505,930	234,480
M/S Sylacome Enterprises	Office Furniture's	439,100	179,100
M/S Dacs Logistics	Cleaning Materials- Bins	79,545	64,900
M/S Frankkogal Enterprises	Computer Accessories	160,708	-
Zam Zam	Fuel expenses	-	250,000
Total Suppliers Balances as at 30.06,2025		1,999,293	1,048,480

15. Cash generated from operations

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(7,912,766)	(7,724,601)
Adjusted for:		
Depreciation	7,279,360	7,428,836
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Transfer/adjustments-Inter bank account-Receipts	-	2,414,559
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	532,993	-
Net cash flow from operating activities	(100,413)	1,292,733

Total Cash Income

Description	Equity Bank Ltd	KCB Ltd	Total
	Ksh	Ksh	Ksh
Cash Receipts	2,750,000	-	2,750,000
Total Cash Receipts	2,750,000	-	2,750,000

16. Cash Flows From Investing Activities	Ksh
Purchase of Waste Bins	86,189
Total Cash flows from investing activities	86,189

(Notes to the Financial Statements Continued)

17. Property, Plant and Equipment

Description	Land	Buildings	Roads & Infrastructure	Computers and Printers	Furniture and Fittings	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate	-	4%	-	30%	12.5%		
As at 1 July 2023	-	179,598,714	92,486,174	-	580,000	18,739,983	272,664,888
Additions for the year 2023/2024	-	1,350,000	3,140,867	320,000	179,100	-	4,989,967
Disposals	-	-	-	-	-	-	-
As at 30th June 2024	-	180,948,714	95,627,041	320,000	759,100	18,739,983	277,654,855
Additions for the year	-	-	-	494,010	260,000	-	754,010
Disposal for the year	-	-	-	-	-	-	-
As at 30th June 2025	-	180,948,714	95,627,041	814,010	1,019,100	18,739,983	278,408,865
Depreciation and Impairment							
As at 1 July 2023	-	-	-	-	-	-	-
Depreciation	-	7,237,948		96,000	94,888	-	7,428,836
As at 30th June 2024	-	7,237,948		96,000	94,888	-	7,428,836
Depreciation	-	6,948,431	-	215,403	115,527	-	7,279,360
As at 30th June 2025	-	14,186,379	-	311,403	210,415	-	14,708,196
NBV as at 30th June 2024	-	173,710,766	95,627,041	224,000	664,212	18,739,983	270,226,019
NBV as at 30th June 2025	-	166,762,335	95,627,041	502,607	808,686	18,739,983	263,700,669

Notes to the Financial Statements

1. Related party balances

a) Nature of related party relationships

Municipalities 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 municipalities:

- a) The County Government.
- b) The Parent County Government Ministry.
- c) County Assembly.
- d) Key management.
- e) City/Municipality Board; etc.

b) Related party transactions

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from related parties'	2,750,000	1,470,000
Direct Payments by the County Government	-	4,490,867

Notes to the Financial Statements

2. 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.

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	2024/2025	2023/2024
	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	Non-Compliance with the Prescribed Reporting Framework	The footnotes to the financial statement, statement of cash flows notes against receipts and payments were corrected	Resolved	
2	Inaccuracies in the Financial Statements	The inaccuracies were corrected	Resolved	
3	Unsupported Budget Adjustments	Budget adjustments followed a projection in own source revenue drop and notice of supplementary budget was provided	Resolved	
4	Lack of Ownership Documents-Property Plant and Equipment	An updated asset register, Part Development Plan, map and search certificate showing the municipal market reservation was provided	Resolved	
5	Failure to Maintain a Deposits/Retention Bank Account	The municipality initiated the process of opening a Retention and Deposit account	Resolved	
6	Budgetary Control and Performance	Underfunding and under expenditure resulted from late disbursement of funds	Not Resolved	
7	Prior Year Matters	The prior year issues have been resolved while the outstanding matters are progressively being resolved	Resolved	

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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)
8	Failure to Collect Own Generated Revenue.	The centralized revenue management system gives the Homa Bay municipality visibility of its revenues	Resolved	
9	Upgrading to Bitumen Standards of the ABSA Bank Junction to Department of Health Headquarters Loop and St. Paul's Catholic Church Road	The payment of the retention to the contractor was based on the completion certificate which was issued on 4 th January 2023 hence the payment was made after lapse of the defect liability period.	Resolved	
10	Delayed Rehabilitation Works at Homa Bay Main Bus Park	The remaining works have been-budgeted and the procurement process is ongoing.	Resolved	
11	Delayed Fencing and Gabion Protection at Homa Bay Municipal Market Phase -III	The remaining works will be re budgeted in subsequent financial year	Not Resolved	
12	Lack of Monitoring and Evaluation Framework and Reports	A proper Monitoring and Evaluation framework has been put in place to guide the preparation and implementation of Monitoring and Evaluation reports	Resolved	
13	Failure to Adhere to Budget Timelines	The validation of CIDP had delayed beyond the timelines provided for in the Public Finance Management Act which as a result derailed the preparation of CFSP.	Resolved	

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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)
		Going forward, the management commits to adhere to the statutory timelines as per the regulations of the PFM act in the subsequent years		
14	Functions not transferred to the Municipality	The delegated functions of the Municipality are being transferred progressively to the Municipality through a gazette notice no. 9780	Resolved	
15	Lack of Independence of Homa Bay Municipality	The Municipality's Budgets are discussed and approved by the Municipality B.O.D. Further, functions of the Municipality have already been gazetted.	Resolved	
16	Lack of Approved Staff Establishment	The County Government has an approved consolidated staff establishment that the municipality	Resolved	
17	Failure to Achieve Strategic Priorities by the Municipality	Transfer of functions were gazetted, however the operationalization of the delegated functions is on-going.	Resolved	

Sigar James Agumba

Homabay Municipality Manager



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Appendix 2: Inter Homa Bay Municipality Transfers

HOMA BAY MUNICIPALITY				
Breakdown of Transfers from the County Executive of Homa Bay County				
FY 2024/2025				
a. Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate	
Homa Bay County Treasury transfer for operations	08/07/2024	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	29/08/2024	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	09/10/2024	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	02/12/2024	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	24/12/2024	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	05/02/2025	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	13/03/2025	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	01/04/2025	210,000	2024/2025	
Homa Bay County Treasury transfer for operations	01/04/2025	40,000	2024/2025	
Homa Bay County Treasury transfer for operations	02/05/2025	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	21/05/2025	250,000	2024/2025	
Homa Bay County Treasury transfer for operations	13/06/2025	250,000	2024/2025	
		2,750,000		
b. Development Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate	
c. Direct Payments	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate	
1 Direct Payments by The County Government	30/06/2025	22,200,000	2024/2025	

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HOMA BAY MUNICIPALITY			
Total Direct Payments		22,200,000	2024/2025

MARTIN OMBEWA OJIERE



Signed by the Head of Accounts of the Municipality of Homa Bay and the transferring Homa Bay County

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HOMABAY MUNICIPALITY BOARD					
REPORTS AND FINANCIAL STATEMENTS					
STATEMENT OF TRIAL BALANCE FOR THE PERIOD ENDED 30TH JUNE 2025					
	FY2024-2025		FY2023-2024		
ACCOUNT NAME AND DESCRIPTION	DR	CR	DR	CR	
Cash and Cash Equivalent	Ksh	Ksh	Ksh	Ksh	
Receivables from Non-exchange Transactions	1870	-	188,472	-	-
Plant Property and Equipment	155,441	-	155,441	-	-
Creditors	263,700,669	-	270,226,019	-	-
Accumulated Surplus	-	1,999,293	-	1,048,480	-
Transfers from the County Government	-	261,858,687	-	269,521,452	-
Public Contributions and Donation Grants- UDG	-	2,750,000	-	1,470,000	-
Direct Payment by the County Government	-	-	-	1,194,559	-
Income from Non-exchange Transactions	-	22,200,000	-	22,833,380	-
Depreciation for the Year end 30th June 2025	7,279,360	-	7,428,836	-	-
USE OF GOODS					
2210201- Telephone, Telex, Facsimile and Mobile Phone Services	26,600	-	1,000	-	-
2210301-Travel Costs (airlines, bus, railway, mileage allowances, etc.)	-	-	-	-	-
2210302- Accommodation - Domestic Travel	395,590	-	85,960	-	-
2210303- Daily Subsistence Allowance	1,226,130	-	885,200	-	-
2210502- Publishing & Printing Services	-	-	15,000	-	-
2210711- Tuition Fees Allowance	96,800	-	-	-	-
2210801- Catering Services (Receptions), Accommodation, Gifts, Food and Drinks	133,800	-	28,440	-	-

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2211101-General Office Supplies (papers, pencils, forms, small office equipment etc)	369,550	-	624,750	-
2211102- Supplies and Accessories for Computers and Printers	400,243	-	15,000	-
2211103- Sanitary and Cleaning Materials, Supplies and Services	158,200	-	64,900	-
2210102- Water and Sewerage Charges	39,300			
2211299- Fuel Oil and Lubricants - Other	-	-	250,000	-
Routine maintenance for the year	102,300	-	81,300	-
Bank Charges	8,893	-	3,636	-
2110202- Staff Costs	22,245,000	-	22,330,000	-
2210809-Board Sitting Allowance	381,000	-	468,000	-
SURPLUS/(DEFICIT) FOR THE YEAR	-	7,912,766	-	6,530,042
TOTALS	296,720,746	296,720,746	302,851,954	302,851,954

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HOMABAY MUNICIPALITY BOARD				
REPORTS AND FINANCIAL STATEMENTS				
STATEMENT OF TRIAL BALANCE FOR THE PERIOD ENDED 30TH JUNE 2025				
ACCOUNT NAME AND DESCRIPTION	FY2024-2025		FY2023-2024	
	DR	CR	DR	CR
	Ksh	Ksh	Ksh	Ksh
Cash and Cash Equivalent	1,870.00	-	188,472.00	-
Receivables from Non-exchange Transactions	155,441.00	-	155,441.00	-
Plant Property and Equipment	263,700,669.00	-	270,226,019.00	-
Creditors	-	1,999,293.00	-	1,048,480.00
Accumulated Surplus	-	261,858,687.00	-	269,521,452.00
Transfers from the County Government	-	2,750,000.00	-	1,470,000.00
Public Contributions and Donation Grants- UDG	-	-	-	1,194,559.00
Direct Payment by the County Government	-	22,200,000.00	-	22,833,380.00
Income from Non-exchange Transactions	-	-	-	254,041.00
Depreciation for the Year end 30th June 2025	7,279,360.00	-	7,428,836.00	-
USE OF GOODS				
2210201- Telephone, Telex, Facsimile and Mobile Phone Services	26,600.00	-	1,000.00	-
2210301-Travel Costs (airlines, bus, railway, mileage allowances, etc.)	-	-	-	-
2210302- Accommodation - Domestic Travel	395,590.00	-	85,960.00	-
2210303- Daily Subsistence Allowance	1,226,130.00	-	885,200.00	-
2210502- Publishing & Printing Services	-	-	15,000.00	-
2210711- Tuition Fees Allowance	96,800.00	-	-	-
2210801- Catering Services (Receptions), Accommodation, Gifts, Food and Drinks	133,800.00	-	28,440.00	-
2211101-General Office Supplies (papers, pencils, forms, small office equipment etc)	369,550.00	-	624,750.00	-
2211102- Supplies and Accessories for Computers and Printers	400,243.00	-	15,000.00	-
2211103- Sanitary and Cleaning Materials, Supplies and Services	158,200.00	-	64,900.00	-
2210102- Water and Sewerage Charges	39,300.00	-	-	-
2211299- Fuel Oil and Lubricants - Other	-	-	250,000.00	-
Routine maintenance for the year	102,300.00	-	81,300.00	-
BANK CHARGES	8,893.00	-	3,636.00	-
2110202- Staff Costs	22,245,000.00	-	22,330,000.00	-
2210809-Board Sitting Allowance	381,000.00	-	468,000.00	-
SURPLUS/(DEFICIT) FOR THE YEAR	-	7,912,766.00	-	6,530,042.00
TOTALS	296,720,746.00	296,720,746.00	302,851,954.00	302,851,954.00