

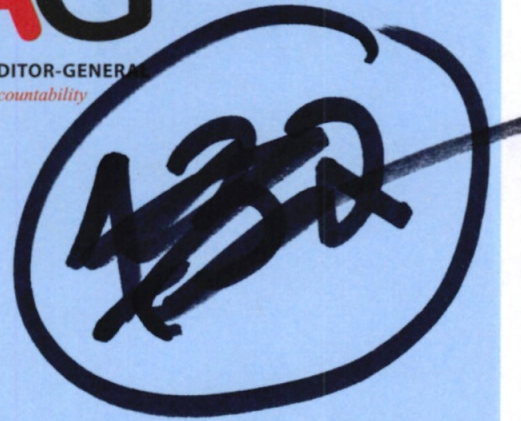
REPUBLIC OF KENYA



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REPORT

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ON

KENDU BAY MUNICIPALITY

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FOR THE YEAR ENDED
30 JUNE, 2025

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**MUNICIPALITY OF KENDU BAY
COUNTY GOVERNMENT OF HOMABAY**

**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
MUNICIPALITY OF KENDU BAY
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Definition of Key Terms

A. Acronyms

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

B. Definition of Key Terms

Fiduciary Management - Members of Management directly entrusted with the entity's financial resources.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

a) Background information

MUNICIPALITY OF KENDU BAY was established on 9th January 2023 by the Homa Bay County Government after its charter was ratified by County Assembly of Homa Bay.

MUNICIPALITY OF KENDU BAY derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011(amended 2019) and Cities and Municipal Charter on *the 9 January 2023*.

The MUNICIPALITY OF KENDU BAY is under the County Government of *Homa Bay* and is domiciled in Kendu Bay town Kenya.

b) Principal Activities

Mission:

To make MUNICIPALITY OF KENDU BAY more attractive and sustainable through effective policy formulation & implementation.

Vision:

A Municipality of choice for all to invest, work, live & prosper.

c) Key Management

MUNICIPALITY OF KENDU BAY management is under the following key organs;

- County Government of Homabay Executive.
- County Government department of Lands, physical planning, housing and urban development which is in charge of municipalities.
- Board of management.
- Accounting officer/municipal manager.

1. Board of Management

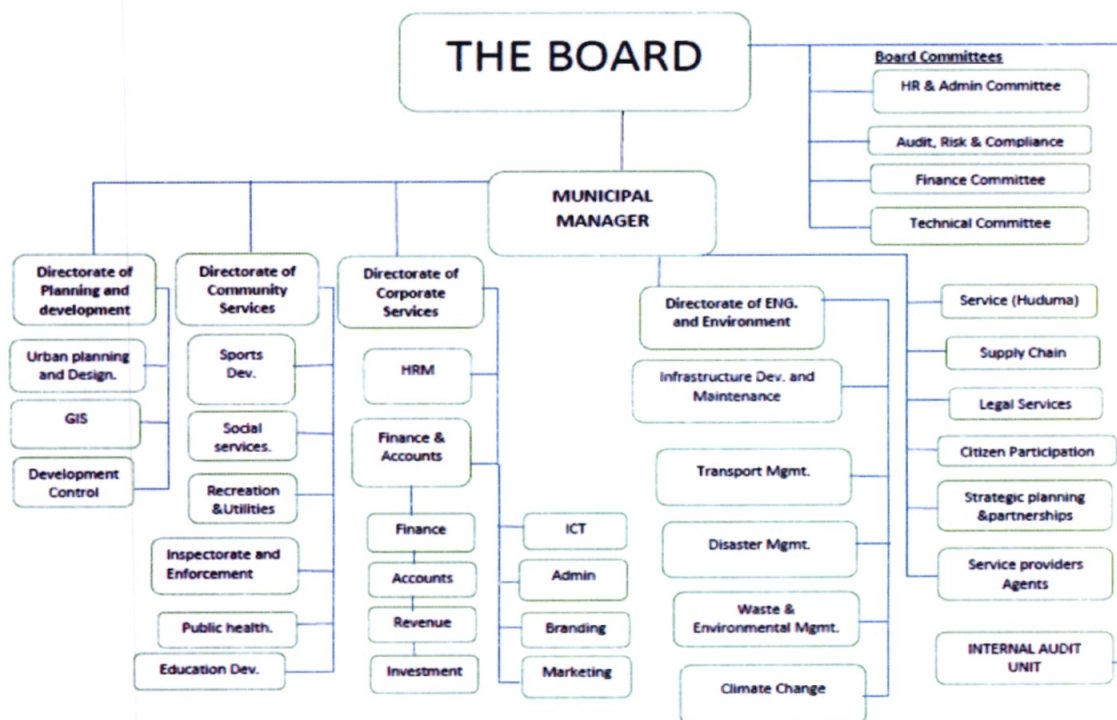
This board is responsible for governance and policy decisions within the municipality. It approves development plans, budgets, and monitors the implementation of municipal projects. The members of boards include;

- Ms. Joyce Wanjiru Ngugi -Municipal Board Chairperson
- Mr. Tony Ogola Sine -Municipal Board Vice Chairperson
- Ms. Miriam Sauda Juma -Municipal Board Member
- Mr. Tobias Ouma Aulo -Municipal Board Member
- Mr. Muka O. Opuk -Municipal Board Member
- Ms. Caroline Atieno Okomo -Municipal Board Member
- Mr. Tobias Luka Amayo -Municipal Board Member
- Dr. Peter Ogola -Municipal Board Member (CECM lands)
- Mr. Charles Obondo -Municipal Board Member (Chief Officer-Housing Urban Development)

2. Accounting Officer municipal Manager

Name: Mr. Samuel Onyango serves as the **Municipal Manager** and **Accounting Officer** for MUNICIPALITY OF KENDU BAY-the Municipal Manager reports directly to the **Municipal Board** and is responsible for executing board decisions, preparing annual revenue and expenditure estimates, supervising all municipal departments, managing utilities and property, facilitating stakeholder engagement, and ensuring regulatory compliance—among other duties detailed under the Urban Areas and Cities Act and county governance frameworks

3. Management



d) Fiduciary Management

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

Ref	Position	Name
1	Municipality Manager	Samwel Okoth Onyango
2	Chief officer, Housing and urban development	Charles Obondo
3	Head of Accounts	CPA. Sita Okello

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

The County Government of Homa Bay has a functional Internal Audit unit which carries internal audit on KenduBay Municipality.

ii) County Assembly committees

The County Assembly of Homabay carries out its oversight responsibility on KenduBay Municipality through the Department of Lands, Physical Planning, Housing and Urban Development.

iii) Committees of the Senate

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

f) Registered Offices

P.O. Box 469- 40300

Kendu Bay

Off Kendu Bay Oyugis Road

Kendu Bay, Kenya.

g) Contacts

Telephone: (+254) 719602105

E-mail: kendumunicipality@gmail.com

Website: www.hbc.go.ke

h) Bankers

Kenya Commercial Bank

Account Number: 1319200206

Homa Bay Branch.



i) Independent Auditor

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



j) Principal Legal Adviser

County Attorney
Office of the Governor
P.O Box 469-40300
Homabay-Kenya.




3. Municipality Board

Seria I No.	Name	Details of qualifications and experience
1	<p>Board chairperson MS JOYCE WANJIRU NGUGI</p> 	<ul style="list-style-type: none"> • Kenyan citizen aged 48 years old. • Holds a Post Graduate Degree in Human Resource Management, P.G.D.E, Bachelor of Science and is also a Registered TSC Teacher. • Community Development initiatives within Rachuonyo North Sub- County. • Director Patwako Enterprises. • Have over 20 years of work experience both in managerial position. • Chairperson MUNICIPALITY OF KENDU BAY.
2	 <p>HON. TONY OGOLA SINE VICE CHAIRPERSON</p>	<ul style="list-style-type: none"> • Kenyan citizen 46 years old. • Holds Diploma in Budgeting and scheduling project, University of California. • Over 20 years working experience as a financial advisor for co operates



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<p>3</p>	 <p>MR. MUSA O. OPUK BOARD MEMBER.</p>	<ul style="list-style-type: none"> ● A Corporate Governance, Project Management, Partnerships and Capacity Building Specialist. ● He is Kenyan citizen aged 42years old. ● Holds MBA from The University of Nairobi, Bachelor of Education Technology and Diploma in Electrical Engineering. ● Have Strategic Leadership Dev Program (SLDP) & SMC from Kenya School of Government, ISO Internal Quality Auditor and Certified Trustee TDP Kenya. ● Have 20 years of work experience both in public and private sectors. ● He Chairs the Human Resource, Administration and Gender Mainstreaming Sub-committee of the MUNICIPALITY OF KENDU BAY Board.
<p>4</p>	 <p>MR. TOBIAS AULO BOARD MEMBER.</p>	<ul style="list-style-type: none"> ● Holds Bachelors of social science from Bugema University ● Over 15 years work experience in community development with history of working with non-profit organizations. ● Skilled in report writing, ensuring quality and timely report.



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<p>5</p>	 <p>MS. CAROLINE AKOMO BOARD MEMBER</p>	<ul style="list-style-type: none"> • Holds certificate in Early childhood development • Over 35 years' experience in both private and public sector. • Member and representative of chambers of commerce in the board
<p>6</p>	 <p>MR. LUKE AMAYO BOARD MEMBER</p>	<ul style="list-style-type: none"> • A Kenyan citizen by birth. • Holds a Higher Diploma in Public Health. • Represents professionals in the Board. • Over 35 Years practicing in Public Health.
<p>7</p>	 <p>MIRIAM SAUDA BOARD MEMBER</p>	<ul style="list-style-type: none"> • Holds a Diploma in hospitality with vast experience in the industry. • Kenyan citizen aged 33years • Represents Youth and Business community.




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<p>9</p>	 <p>CHARLES OBONDO CHIEF OFFICER-HOUSING AND URBAN DEVELOPMENT</p>	<ul style="list-style-type: none"> • Currently, the Chief Officer-Housing and Urban Development. • Currently pursuing a Master's degree in urban management and development. • Holds a Bachelor's degree in Urban Planning and Regional Planning. • Vast experience in the field of Urban Development and Strategic Management.
<p>10</p>	 <p>SAMWEL OKOTH ONYANGO MUNICIPAL MANAGER/BOARD SECRETARY</p>	<ul style="list-style-type: none"> • Holds masters of science in Physics • Bachelors of Education science with It • Has 8 years of work experience with 3 years in administration

4. Key Management Team

S/ No	Name	Details of qualifications and experience
1.	 <p>SAMWEL OKOTH ONYANGO CEO/MUNICIPAL MANAGER.</p>	<ul style="list-style-type: none"> • Holds masters of science in Physics • Bachelors of Education science with It • Has 8 years of work experience with 3 years in administration.
2	 <p>EPHRA AYIETA ONYANGO MUNICIPAL ACCOUNTANT</p>	<ul style="list-style-type: none"> • Holds bachelors of degree in commerce majoring in Finance • Currently pursuing CPA at intermediate level. • Over 10 years working experience from both private and public service
3	 <p>DOROTHY KETCH PROCUREMENT OFFICER</p>	<ul style="list-style-type: none"> • Holds a Diploma in Procurement and Supply Chain Management. • Currently pursuing Degree in Procurement and Logistics at KCA University 2nd Year. • Over 8 years work experience from both Private and Public sectors.

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<p>4</p>	 <p>DERRICK JUMAH MUNICIPAL ECONOMIST</p>	<ul style="list-style-type: none"> • Holds a MBA-Strategic management from the University of Nairobi and a Bachelor’s degree in business Management-Finance and banking option. • 8 years’ experience in both private and public sector. • Key areas of interest include but not limited to Budgeting, corporate governance and strategic management.
<p>5</p>	 <p>ODIVER W. DANCAN PUBLIC HEALTH OFFICER.</p>	<ul style="list-style-type: none"> • Holds a Master of Public Health (Epidemiology and Population Health) from Maseno University and a Bachelor’s degree in Environmental Health from Moi University. • 12 years’ experience in both private and public sector. • Key areas of interest include Market Based Sanitation and marketing, enforcement of public health laws, community strategy implementation, building and construction management.
<p>6</p>	 <p>ELIZABETH AWUOR OLOO HUMAN RESOURCE</p>	<ul style="list-style-type: none"> • Holds Diploma in Human resource management • Currently pursuing undergraduate in Human man resource management. • Has over 8 years working experience in the public sector.

7	 <p>BRIAN OTIENO ENVIRONMENT OFFICER</p>	<ul style="list-style-type: none">• Holds a Bachelor's degree in Environmental Science (Community Development)• Passionate about sustainability and community development• Committed to promoting clean, safe, and resilient environment
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5. Municipality Board Chairperson's Report

Successes Made

During the financial year 2024/2025, the MUNICIPALITY OF KENDU BAY achieved notable milestones that contributed to the improvement of service delivery and quality of life for residents. Among the key achievements were the successful monthly clean-up exercises conducted throughout Kendu Bay Town, which significantly enhanced sanitation and environmental health. Additionally, the installation of electricity in the municipal building improved administrative operations, while the planting of over 200 tree seedlings reinforced our commitment to environmental sustainability.

Review of the Municipality Board's Performance

The Municipal Board remained steadfast in executing its oversight mandate by conducting regular meetings and offering strategic direction. The Board ensured that programs were aligned with the County Integrated Development Plan (CIDP) and engaged local stakeholders in planning and implementation. This strong governance foundation enabled the Municipality to effectively prioritize, evaluate, and monitor the delivery of its key programs and services.

Challenges Faced

Despite these gains, the Municipality experienced several challenges that impacted its overall performance. The most significant of these included delays in fund disbursements, which disrupted project timelines and slowed service delivery. Additionally, the entity continued to face human resource limitations, particularly in technical areas such as Urban planner, Engineer, Social officer, hindering full implementation of programs. Moreover, the Municipality lacked an own-source revenue stream due to the delayed transfer of revenue collection functions, which limited its financial autonomy.

Changes in the Municipality Board During the Year

During the 2024/2025 financial year, there were no major changes to the composition of the Municipal Board or the key management team. The Board continued to work closely with the Municipal Manager and departmental heads to ensure seamless operations and continuity of programs.

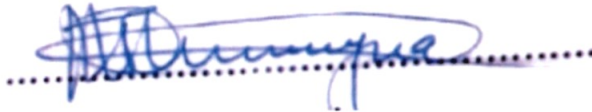
Future Outlook of the Municipality Board

Looking ahead to the 2025/2026 financial year, the Municipal Board is optimistic about sustaining and scaling up current initiatives. The planned projects—such as the installation of solar lights across key locations, construction of animal holding facilities, development of office modern ablution blocks, and

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continued expansion of drainage systems—reflect the Board’s commitment to transforming Kendu Bay into a clean, organized, and economically vibrant town. The estimated budget for the upcoming financial year 2025/2026 stands at Ksh. 24,923,840, with development expenditure prioritizing infrastructure and sanitation.

The Board acknowledges the critical role of timely funding, capacity building, and improved interdepartmental coordination in enhancing municipal performance. There is also a pressing need to operationalize own-source revenue collection to supplement county funding. The Board remains committed to transparency, accountability, and citizen engagement as key pillars of governance and development



Joyce Wanjiru Ngugi
CHAIRPERSON OF THE BOARD

6. Report Of the Municipality Manager

Review of the Municipality Board's Performance

The Municipality of Kendu Bay Board performed commendably during the 2024/2025 financial year. The Board provided consistent strategic oversight through regular meetings, which effectively guided the implementation of the municipality's programs. Additionally, it facilitated collaborative partnerships with local stakeholders and ensured that all implemented projects were well aligned with the County Integrated Development Plan (CIDP).

Challenges Faced

Despite these achievements, the Municipality faced several challenges. Among the most pressing were delays in the disbursement of funds, which negatively impacted the timely execution of planned activities. The department also operated with insufficient staffing, particularly in critical technical roles, which constrained project implementation. Procurement bottlenecks further delayed the delivery of some programs.

Departmental Achievements in the Financial Year 2024/2025

In terms of departmental performance during the financial year, several key achievements were recorded. Under solid waste management, monthly clean-up exercises were successfully conducted within Kendu Bay Town, improving hygiene and environmental aesthetics.

Strategic Departmental Priorities for Financial Year 2024/2025

For the 2024/2025 financial year, the department prioritized several strategic projects. These included the installation of 14 solar lights to enhance public safety and night time commerce, the purchase of land for a municipal dumpsite to improve solid waste management, and the construction of a 10-kilometre drainage system to address persistent flooding issues. The total cost for these priority projects amounted to Ksh.8 million. Alongside these development expenditures, recurrent expenditure stood at Ksh.9,870,274, bringing the total budget for the financial year to Ksh.17,870,274. However, the implementation of these key projects had the following challenges, delay in disbursement of funds, system bureaucracy slowing down procurement process, the municipality is yet to tap full potential of its revenue streams.

Strategic Departmental Priorities for Financial Year 2025/2026

Looking ahead, the strategic priorities for the 2025/2026 financial year will focus on the continuation and expansion of key infrastructure and service delivery projects. These include the installation of solar street lights at a cost of kss.3,500,000, the construction of Office modern ablution blocks at a cost of kshs.1,500,000 to enhance sanitation, the development of 10 kilometers of drainage infrastructure at a cost of kshs.2,000,000, and the renovation and fencing of the municipal office at a cost of kshs.3,000,000 to improve the working environment and public access to services and construction of an animal holding site for kshs.5,000,0000. The municipality is also focusing on partnership and lobbying of grants; some of the partners who have shown willingness include Habitat for Humanity with an intent of improving houses, constructing water points and building ablution blocks within Old Town in Kendu Bay. We look forward to signing memorandum of understanding that will impact the lives of residents during this financial year 2025/2026.

Financial Summary for FY 2025/2026

The estimated cost of these departmental projects stands at Ksh.15 million. The projected recurrent expenditure for the 2025/2026 financial year is Ksh.9,923,840, bringing the total budget estimate to Ksh.24,923,840.

Own Source Revenue

The MUNICIPALITY OF KENDU BAY currently does not collect any revenues, as such, the Municipality remains reliant on county allocations and grants to fund its operations and development projects.

Conclusion

This report demonstrates the progress, planning, and commitment of MUNICIPALITY OF KENDU BAY to improving urban service delivery, while acknowledging the existing challenges and outlining a clear vision for future development.



7. Statement of Performance Against Predetermined Objectives for the FY 2024/25

Guidance

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

The key development objectives of MUNICIPALITY OF KENDU BAY for the financial year 2024/2025 plans are to:

- a) To provide overall policy and strategic direction for the transformation of MUNICIPALITY OF KENDU BAY.
- b) To promote effective development management and maintenance of all municipal facilities and roads.
- c) To promote proper planning and development of urban areas within the municipality.

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Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Policy ,planning and administration services	To provide overall policy and strategic direction for the transformation of KenduBay Municipality.	Municipal administration services undertaken effectively	Staff are paid salaries on time.	In the financial year 2024/2025 the staffs were paid on time and operations funded.
Public works and infrastructure improvement services	To promote effective development management and maintenance of all municipal facilities and roads.	Enhanced security	Installation of street lights	Not met due to delay in disbursement of funds
Housing and urban development services	To promote proper planning and development of urban areas within the municipality.	Clean municipality	Improved spacious dumping site and improved drainage within the municipality	Not met due to delay in disbursement of funds

8. Corporate Governance Statement

Appointment of Board Members

Board members of the Municipality of Kendu Bay Board are appointed in accordance with the Urban Areas and Cities Act and relevant County legislation. The appointments are carried out transparently by a selection panel established by the County Government, and successful candidates are approved by the County Assembly. The process ensures representation of various stakeholders including residents, professionals, and community-based organizations. The successful candidates were appointed on vide gazette notice no dated and sworn in office on

Process of Appointment and Removal of Board Members

Appointments follow a merit-based process guided by integrity, competence, gender balance, and stakeholder representation. Removal of board members is done in line with the Urban Areas and Cities Act and may be occasioned by misconduct, incapacity, or prolonged absence, subject to due process and approval by the County Assembly.

Size, Diversity, and Demographics of the Board

The Board comprises a diverse group of professionals and community representatives drawn from different sectors, ensuring gender, age, and professional balance. The current board has 9 members, representing a mix of youth, women, professionals, and civil society groups.

Existence of the Board Charter

The Municipality of Kendu Bay Board operates under a Board Charter that clearly outlines its mandate, responsibilities, and scope of operation. The Charter is aligned with both national and county laws.

Roles and Functions of the Board

The Board is responsible for providing strategic oversight to the Municipality, approving work plans and budgets, ensuring compliance with legal frameworks, and overseeing project implementation in alignment with the County Integrated Development Plan (CIDP).

Induction, Training, and Development

All new members undergo an induction program to familiarize themselves with municipal operations, legal frameworks, and governance principles. Continuous professional development sessions are also organized in partnership with relevant stakeholders.

Board and Members Performance

The Board held four regular meetings and two special sittings throughout the financial year, providing oversight and strategic direction to the Municipality. Performance evaluation is conducted annually to ensure effective contribution and accountability from each member.

Number of Board Meetings and Attendance

The Board held four regular meetings and two special sittings in the financial year. Member attendance was above 85%, reflecting commitment and active participation.

Succession Plan

The Municipality has a succession framework to ensure continuity in leadership. The County Government maintains a talent pool of qualified individuals to ensure seamless transition in the event of vacancies.

Policy to Manage Conflict of Interest

A comprehensive policy is in place to manage conflicts of interest. Members are required to declare any conflict before participating in discussions or decisions where such interests may arise.

Board Remuneration

Board members receive sitting allowances and other necessary facilitation as per guidelines provided by the Salaries and Remuneration Commission (SRC) and County Government directives.

Ethics and Conduct

The Board adheres to a strict code of ethics and conduct based on public service values, integrity, accountability, and professionalism.

Governance Audit

Periodic governance audits are undertaken to ensure compliance with governance standards and best practices. These audits are critical in identifying gaps and enhancing accountability.

Communication Policy

The Board has adopted a communication policy that ensures timely, accurate, and transparent communication with stakeholders through official channels and public forums.

Terms of Reference of Committees

The Board has four committees which include the Finance Committee, Human Resource, Administration and Gender Mainstreaming committee, Technical and Strategic committee and Audit Committee, each operating under clearly defined Terms of Reference to enhance governance efficiency.

Policy on Related Party Transactions

The Board upholds transparency in related party transactions, with mandatory disclosures and approval processes to avoid undue influence and ensure fairness.

9. Management Discussion and Analysis

KenduBay Municipality board was actualized as a result of the Urban areas and Cities Act of 2011 which stipulates the criteria for classifying Municipalities and Cities as well as the constitution of the Municipal and Cities board.

As a result, Her Excellency the Governor of Homa Bay granted the charter to KenduBay Municipality on 10th January, 2023 thereafter she constituted the Municipal board in accordance with the Urban areas and Cities Act of 2011 and the Municipal Charter.

The board became fully operational in May of 2023 thereafter it held its first board meeting where the elections were held and Bonafide officials were appointed.

Operational and financial performance of the board during the period 2023/2024 include among others;

- a) The board has been able to hold key board and committee meetings in accordance to the regulations laid down.
- b) It has been able to identify projects for MUNICIPALITY OF KENDU BAY in conformity with the projects identified by the public through citizen forums.
- c) The Municipality has formulated the waste management policy pending the approval of the executive followed by the County Assembly.
- d) The Municipality has developed the five year Municipal integrated and development plan and the strategic plan, pending approval by the County Assembly.
- e) The Municipality has also developed the waste management plan, pending approval by the County Assembly.

Review of the Municipality Board's Performance

The Municipality of Kendu Bay Board performed commendably during the 2024/2025 financial year. The Board provided consistent strategic oversight through regular meetings, which effectively guided the implementation of the municipality's programs. Additionally, it facilitated collaborative partnerships with local stakeholders and ensured that all implemented projects were well aligned with the County Integrated Development Plan (CIDP).

Challenges Faced

Despite these achievements, the Municipality faced several challenges. Among the most pressing were delays in the disbursement of funds, which negatively impacted the timely execution of planned activities. The department also operated with insufficient staffing, particularly in critical technical

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Departmental Achievements in the Financial Year 2024/2025

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Financial Summary for FY 2025/2026

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Own Source Revenue

The MUNICIPALITY OF KENDU BAY currently does not collect any revenues, as such, the Municipality remains reliant on county allocations and grants to fund its operations and development projects.

Conclusion

This report demonstrates the progress, planning, and commitment of MUNICIPALITY OF KENDU BAY to improving urban service delivery, while acknowledging the existing challenges and outlining a clear vision for future development.

10. Environmental And Sustainability Reporting

MUNICIPALITY OF KENDU BAY, a newly established municipality alongside Ndhiwa and Mbita following the pioneer Municipalities of Homa Bay and Oyugis, is gradually aligning its operations with sustainability priorities shaped by global political and macroeconomic developments. Global issues such as climate change, rising energy costs, and waste management inefficiencies have necessitated local strategies that contribute to broader international frameworks.

The Municipality's sustainability priorities are aligned with key global frameworks including the **United Nations Sustainable Development Goals (SDGs)**, specifically:

- **SDG 6** – Clean Water and Sanitation,
- **SDG 11** – Sustainable Cities and Communities,
- **SDG 12** – Responsible Consumption and Production, and
- **SDG 13** – Climate Action.

Policy Framework and Implementation Evidence

While a formal municipal-level environmental policy document is still under formulation, Kendu Bay implements directives in collaboration with the County Department of Environment. Key ongoing efforts include weekly dumpsite offloading, community sensitization, and structured clean-up activities. All these are documented through internal reports, budget submissions, and field supervision sheets maintained by the Environment Officer.

Successes

- **Solid Waste Collection:** Weekly waste transfer from Kendu Bay Market to the Homa Bay designated dumpsite has been consistently maintained.
- **Stakeholder Collaboration:** Joint initiatives between KenduBay Municipality and the Homa Bay County Environment Department have helped bridge service delivery gaps.

Shortcomings and Mitigation Measures

- **Contractor Halting Services:** Waste collection was briefly interrupted when the designated contractor ceased operations. In mitigation, the Municipality collaborated with the County to mobilize internal machinery and manpower for continuity.
- **Absence of Reuse/Recycle Mechanism:** Kendu Bay currently lacks formal recycling or reuse frameworks. Plans are underway to conduct stakeholder mapping and capacity building before establishing segregation bins and recycling partnerships.
- **Limited Automation:** While full paperless operations and digital platforms are yet to be established, there's ongoing consultation with ICT units for phased migration of operations.

Waste Management Practices

- **Reduction:** Waste reduction at source is being encouraged during public sensitizations, especially among traders and households.
- **Reuse and Recycle:** Currently not implemented in Kendu Bay due to budget and infrastructure limitations. This remains a critical area for future investment.
- **Disposal:** Waste is collected weekly and disposed of at the Homa Bay County official dumpsite. Compacted dumpsite zones are cleared using hired equipment.

Reducing Environmental Impact of Operations

- **Paper Usage:** Efforts are ongoing to reduce paperwork through use of emails, WhatsApp groups, and electronic reporting for internal communication.
- **Plastic Bottles:** The office encourages refillable water bottles during public events; however, uptake is still low.
- **Segregation Bins:** Not yet installed but proposed for the new market blocks in upcoming development phases.
- **Fleet Management:** The Municipality relies on shared vehicles and occasional hire; proper maintenance is encouraged, though carbon tracking systems are not yet in place.

6. Climate Change Initiatives

- **Climate-Smart Technologies:**
 - **Eco Jikos:** Adoption encouraged through community sensitization under the Health and Environment collaboration.
 - **Eco Toilets:** Pilots discussed for schools and remote markets but not yet implemented.
 - **Green Buildings:** Most municipal facilities still rely on conventional designs. However, the new solar project is a step toward sustainable infrastructure.
 - **Natural Lighting:** Market sheds and buildings use open designs with daylight access to reduce daytime electricity needs.

Mitigation and Future Planning

- The municipality is committed to building staff and community awareness around environmental protection and sustainability.
- Future plans include:
 - Rolling out a comprehensive local environmental policy.
 - Partnering with stakeholders to implement waste segregation, recycling, and composting projects.
 - Upgrading infrastructure to include solar power and water-saving devices.
 - Seeking support from donors and national climate funds to implement climate-resilient projects.

Conclusion:

MUNICIPALITY OF KENDU BAY has made notable strides in embedding sustainability within its operations, guided by global frameworks like the SDGs and national development goals. Despite being a relatively new municipality, key achievements include enhanced waste management efforts, routine dumpsite clearance. Challenges persist such as limited recycling systems, incomplete automation, and gaps in contract access for special groups ongoing mitigation measures, including targeted capacity building and structured procurement practices, demonstrate the Municipality's strong commitment to sustainable development.

Environmental Policy Framework

The Municipality's environmental operations are guided by the overarching policies of the Homa Bay County Government and the Kenya National Environment Policy. Although Kendu Bay has not yet developed a localized environmental policy document, it follows the guidelines provided under the National Solid Waste Management Framework, the Environmental Management and Coordination Act (EMCA), and the county's environment bylaws.

Implementation and Evidence of Policy Actions

The most notable environmental activity is the **weekly clearing of the Kendu Market dumpsite**, which is transported to the designated Homa Bay dumpsite. This action is a direct policy response to prevent over accumulation of waste and to promote cleaner markets. Even after the withdrawal of contracted services, the Municipality, in collaboration with the county's Department of Environment, organized support through casual laborers and hired backhoes and trucks to ensure waste was collected.

Field evidence includes reports of monthly cleanups, casual labor expenditures, transport fuel logs, and photographs submitted alongside environmental reports. These serve as audit trails for actual implementation. Staff supervision, logistical coordination, and environmental awareness events are also documented.

Waste Management Efforts

MUNICIPALITY OF KENDU BAY focuses on **waste collection and disposal** only. There is currently no **recycling or reuse** mechanism in place, largely due to lack of infrastructure, funding, and sorting systems. Waste is not segregated at source, and there are no designated bins for plastic, organic, or hazardous waste. However, the municipality understands the significance of this gap and has begun advocating for partnerships to improve this in the future.

Disposal is done through manual collection by loaders, followed by offloading to Homa Bay. The contractor who previously handled this responsibility halted services, and since then, the Municipality has worked with the County Environment Department to manage operations using hired transport.

Biodiversity Management

MUNICIPALITY OF KENDU BAY currently does not have targeted biodiversity programs. However, clean-up exercises in riparian areas, tree planting during commemorative events (e.g., World Environment Day), and efforts to remove waste around wetlands contribute indirectly to preserving local biodiversity.

Efforts to Reduce Environmental Impact

- **Automation of Systems:** Partial digitization exists within the accounts section (electronic processing of financial documents). Other departments still rely on paper-based systems.
- **Paperless Offices:** Not yet implemented.
- **Reduction of Plastic Use:** There is no enforced policy on plastic use reduction.
- **Provision of Segregated Bins:** Not available in Kendu Bay public areas.
- **Biodegradable Packaging:** Not yet introduced as a local regulation or practice.
- **Vehicle Maintenance:** The Municipality owns no office vehicles. There is no emissions policy.

Climate Change Initiatives

Kendu Bay has not yet introduced modern climate-smart innovations such as eco-toilets, eco-jikos, drought-resistant crop support, or green buildings. However, there are future intentions to seek partnerships and funding to introduce solar lighting within the Municipality's public compounds and market centers. The potential for open-office designs and natural lighting systems is also being considered during renovations of government facilities.

RECOMMENDATIONS AND CONCLUSION

To improve the Municipality's environmental performance and sustainability profile:

1. **Develop a Local Environmental Policy:** Customized for Kendu bay's unique challenges and grounded in national frameworks.
2. **Establish a Basic Recycling Framework:** Introduce color-coded bins in markets and public offices.
3. **Promote Automation:** Start with procurement and document tracking systems.
4. **Capacity Building:** Sensitize staff and local contractors on environmental policies.
5. **Infrastructure Investment:** Advocate for a local waste transfer station or access to compactors.
6. **Partnerships:** Engage NGOs, CBOs, and private sector in climate adaptation projects.

Despite limitations, MUNICIPALITY OF KENDU BAY shows growing commitment and institutional will to implement sustainable practices. This report should form the basis for financial planning and resource allocation to scale environmental sustainability across all operations.

Hiring Policies and Inclusivity

As per the structure of Homa Bay County, MUNICIPALITY OF KENDU BAY falls under the Department of Lands, Physical Planning, Housing, and Urban Development. Staffing for the Municipality is typically done through deployment and transfers from other county departments either by the County Secretary or the respective Chief Officer. However, where necessary—especially for temporary Labour—the Municipality proposes the hiring of casuals, subject to approval by the Board of Management and forwarding to the Homa Bay County Public Service Board for authorization.

Hiring policies are aligned with national and county guidelines that take into consideration gender equity, youth inclusion, and Persons with Disabilities (PWDs). These policies aim to balance representation across male and female employees and to promote equitable employment opportunities. Stakeholder engagement is often incorporated during major policy revisions, community consultative forums, and during planning for recruitment drives. Policy reviews typically occur every 3 to 5 years or as necessitated by changes in legislation.

Skills Development and Career Management

Efforts have been made to improve staff competencies through on-job mentorship, and exchange programs with other municipalities. Career progression is managed by evaluating staff qualifications and work performance to determine eligibility for promotions and additional responsibilities.

Appraisal systems include periodic performance reviews (biannually), key performance indicators, and submission of field and operational reports. Reward systems are modest but include recognition of outstanding service, opportunities for acting in higher roles, and consideration for future promotions.

Safety and Compliance with OSHA 2007

MUNICIPALITY OF KENDU BAY adheres to the Occupational Safety and Health Act (OSHA) 2007. Staff are oriented on safe work practices, and Personal Protective Equipment (PPE) is issued to those handling waste, or sanitation services. Casual workers are briefed before engagements, and staff handling hazardous materials are provided with relevant training.

Review of Work-Related Injuries: No cases of work-related injuries have been recorded but sometimes mainly minor cuts and sprains during clean-up exercises. To minimize such incidents, the Municipality has increased supervision during high-risk activities and ensured casuals are guided and protected while performing their duties.

2. Market Place Practices

a) Responsible Competition Practices

MUNICIPALITY OF KENDU BAY ensures responsible competition and service delivery through various institutional mechanisms. These include adherence to open tendering laws, compliance with anti-corruption protocols, and transparency during procurement. All tenders are advertised publicly

through county procurement channels. Staff involved in procurement are required to declare conflicts of interest and uphold ethical standards.

Improved service delivery is supported by a published service charter, the introduction of self-service processes such as county online applications and payments. Anti-corruption reporting channels and periodic public sensitization forums are also part of the integrity framework.

b) Responsible Supply Chain and Supplier Relations

The Municipality treats its suppliers with respect and professionalism. It maintains formal procurement processes guided by the Public Procurement and Asset Disposal Act. Contracts are honored within budgetary limits and payments are processed based on proper invoicing and delivery confirmations.

Suppliers are selected through a fair and competitive process to ensure value for money. All pre-qualified suppliers undergo screening to verify capacity, tax compliance, and adherence to ethical business standards.

c) Responsible Marketing and Citizen Engagement

MUNICIPALITY OF KENDU BAY prioritizes ethical engagement with the public. Instead of traditional marketing, the focus is on responsible communication of services and obligations. This is done through community public forums.

The information shared avoids exaggeration and focuses on clarity and truthfulness. Outreach campaigns respect diversity and are tailored to local languages and cultural norms. Consultative forums are held during budget-making, planning of developments, or market upgrades to gather citizens' views.

d) Product Stewardship and Awareness Creation

The Municipality ensures consumer rights are protected by offering adequate information about services such as waste management, public health, licensing, and access to identity documents. Public announcements provide clear instructions for accessing services like SHA, NSSF, and business permits.

Efforts are also made to raise awareness on citizen rights, such as the right to representation, dispute resolution channels. For example, during community forums, staff educate citizens on complaint reporting processes and how to reach relevant county officers.

11 Corporate Social Responsibility/Community Engagements

- MUNICIPALITY OF KENDU BAY community engagement in cleaning exercise in major towns and trainings on waste management and importance of segregation at the Household level.

- The population in markets health education on need for proper human and liquid waste management in food outlets, accommodation premises with a touch of technology for different soil types to reduce the numbers of sinking pit latrines and use of ecofriendly conservancy to recycle as manure in the farmers.
- Conducting of health education in school targeting hygiene through hand washing demonstration provision of hand washing stations with water and soap to reduce diarrheal diseases among the school going children by 90%.
- Different stakeholder engagements and sensitization on mission, vision, and jurisdiction of the municipality together with laws governing the area.

IMPACT

- The regular cleaning exercise has got great effect on the face and outlook of centers and the markets within the municipality hence attracting of investors and traders from other regions which in turn has economic value and increased living conditions to the Kendu municipality population.
- The proper waste management methods has a significant effect on human health, by reducing human excreta contact this impacts hugely by reducing the diseases therefore time spent in hospitals reduced.
- School health education helps to improve the school attendance among the school going children therefore these impacts positively on performance among the children
- By having an informed stakeholders will help greatly in managing the affairs of the municipality and in advising on areas to be adjusted to benefit the entire community served.

11. Report of the Municipality Board Members

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

Principal activities

The principal activities of the Municipality are;

- Build and maintain functional infrastructure for the resident of KenduBay Municipality.
- Enhance service delivery to the residents of KenduBay Municipality.
- Overall policy and strategic direction for the transformation of KenduBay Municipality.
- Effective development management and maintenance of all municipal facilities and roads.
- Proper planning and development of urban areas within the municipality.

Performance

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

Board Members

The members of the Board who served during the year are shown on page vii-ix.

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


KENDU-BAY MUNICIPALITY
11 OCT 2025
P.O. Box 469 - 40300
KENDU BAY
Samwel Okoth Onyango
SECRETARY OF THE BOARD

12. Statement of Management's Responsibilities

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

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

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

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

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

In preparing the financial statements, the Board have assessed the municipality's ability to continue as a going concern. Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Municipal financial statements were approved by the Board on24/10...../2025 and signed on its behalf by:



Joyce Wanjiru Ngugi
CHAIRPERSON OF THE BOARD



Name: Samuel Okieth Omyanyi
ACCOUNTING OFFICER OF THE BOARD

REPUBLIC OF KENYA

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for specific issues, the financial statements present a true and fair view in accordance with the applicable financial reporting framework. The Qualified Opinion indicates that the financial statements are to a large extent in agreement with the books of accounts and the underlying records, except for a few cases where material misstatements or omissions were noted in the books of accounts and the financial statements. The issues though material, are not widespread or persistent.

The Qualified Opinion on the report on the Financial Statements should be read together with the report on the Lawfulness and Effectiveness in the Use of Public Resources, and the report on the 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 Kendu Bay Municipality 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 net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the 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 Kendu Bay Municipality 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 Kendu Bay Municipal Charter and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Undisclosed Property, Plant and Equipment

The statement of financial position and Note 12 to the financial statements reflect property, plant, and equipment balance of Kshs.461,038. However, the balance omits various assets, in the possession and utilized by the Municipality in its daily operations, but which are still owned by both the National Government and the County Executive. In addition, the County Executive implemented various projects which includes the installation of 14 solar lights to enhance public safety and night commerce, the purchase of land for a municipal dumpsite to improve solid waste management and the construction of a 10 kilometre drainage system to address persistent flooding issues within the Municipality's jurisdiction, whose values have not been included these financial statements.

In the circumstances, the accuracy, completeness of Kshs.6,176,900 could not be confirmed.

2. Unsupported Staff Costs

The statement of financial performance reflects an amount of Kshs.3,770,000 in respect to staff costs as disclosed in Note 8 to the financial statements. This staff cost amount was paid by the Homabay County Executive as disclosed under transfers from the county government in note 6 to the financial statements. However, review of the payroll schedule provided for audit revealed that total staff cost for the year was Kshs.5,531,796 resulting to a variance of Kshs.2,011,796 that the management of Kendu Bay Municipality and Homabay County Executive could not explain how it was paid. Further, one staff member with ID No. 29579122 and Personal Number 20178458406 who is employed as Municipal Manager is missing in the payroll and his earnings since his appointment could not be confirmed. In addition, the schedules and ledgers to support financial statement balance for Kshs.3,770,000 were not provided.

In the circumstances, the completeness and accuracy of the staff cost balance of Kshs.3,770,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kendu Bay Municipality 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 total budgeted receipts and actual on comparable basis of Kshs.9,870,274 and Kshs.6,546,900 respectively resulting in under-realization of Kshs.3,323,374 or 34% of the budget. Similarly, the Municipality expenditure amounted to Kshs.6,090,334 against the realized revenue of Kshs.6,546,900 resulting in an under-utilization of Kshs.456,566 or 7% of the actual revenue.

In the circumstances, the under-funding and under-realization may have impacted negatively on the service delivery to Kendu Bay Municipality residents.

My opinion is not modified in respect of this matters.

Key Audit Matters

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

Other Information

The Management is responsible for the Other Information set out on pages iii to xxxv which comprises the Municipality Board Chairperson's Report, Report of the Municipality Manager, Statement of Performance Against the County Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Municipality Board Members and Statement of Management's Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Policies and By-Laws

Our audit revealed that the Municipal Board operated without By-laws passed by the Board of the Municipality. This was contrary to Part IV- Section 19, of the Municipality of Kendu Charter, which states that Legislative Authority is vested in the County assembly. However, the Board of the Municipality may make By-laws and forward recommendations to the County Executive Committee Member on issues to be included in County Legislation. Further, policies and procedures to guide key financial and operational processes were not in place.

In the circumstances, the Municipality is in breach of the law.

2. 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, 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 of the County Government was in breach of the law.

3. Irregular Employment Contract Period

Our audit verification of staff personal files revealed that the Municipal Manager has been appointed under contract for a period of five years from 29 April, 2025 to 29 April 2030, in contravention of the charter.

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

4. Failure to Implement any Development Project During the Year

The statement of financial performance reflects total expenditure of Kshs.6,090,334 which is recurrent expenditure with no development expenditure, contrary to Section 107(2)(b) of the Public Finance Management Act, 2012.

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

5. Non-alignment of Procurement Plan to the Core Functions and Mandate of the Municipality

Audit review of the Municipality's procurement plan revealed that it was not aligned to the core functions and mandate of the municipality as provided in the Municipality charter. Further, there was no evidence that the procurement plan was linked to the Municipality's strategic goals, as the strategic plan was not provided for audit review. In addition, the municipality of Kendu Bay undertook procurement outside scheduled time. In particular direct purchases were made without reference to approved procurement plan and municipality did not prepare or maintain list of prequalified suppliers as required by the law. In the circumstance, competitive process to promote value transparency and value for money could not be confirmed.

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

6. Failure to Formulate Envisaged Municipality Plans

Review of the Municipality's records and operations revealed that there was no evidence of the existence or consideration of key vital plans such as Municipality land use plans, building and zoning plans and the location of recreational areas and public facilities. This is contrary to Section 111 (1) of the County Governments Act, 2012, which provides that for each City and Municipality, there shall be the following plans: City or Municipal land use plans; City or Municipal building and zoning plans; City or urban area building and zoning plans; and location of recreational areas and public facilities.

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

7. Lack of Independence of the Municipality

The Municipality of Kendu Bay was granted a Municipal Charter on the 9th day of January, 2023, which was supposed to grant operational independence from the County Government of Homabay. 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. This was contrary to Section 45 of the Urban Areas and Cities Act, 2011, which requires the Board or Town Committee to cause to be prepared estimates of the revenue and expenditure of a board or town committee for that year. Further, the County Government had continued to perform several functions which were transferred to the Municipality as provided for under Part II-Paragraph 5 (a) - (r) of the Municipal Charter including infrastructural development and services within the municipality and development and enforcement of municipal plans

and development controls. This was 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.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Provide Evidence of Key Services Deliverables

The Municipality of Kendu Bay, did not provide evidence of provision and existence of services as provided by Part II-Section 5 (a) – (r), of the Municipality of Kendu Charter, which states that the Municipality of Kendu Bay shall, within the boundaries of the Municipality, perform the various functions which are listed as (a) to (r). There was no evidence that the Municipality can provide services such as planning and development control, traffic control and parking, street lighting, libraries, storm drainage, sports and cultural activities, refuse collection, solid waste management, pollution (air, water, soil) control, child care facilities, community centers, emergency preparedness, recreational parks and animal control and welfare.

In the circumstances, the effectiveness of the Municipality's governance processes, in the provision of services could not be confirmed.

2. Lack of Fraud Policy and Risk Management Strategies

Our audit review revealed that the Municipality of Kendu Bay lacked a fraud management policy to assist in detecting and preventing fraud during the year under review. Further, Management did not have a risk management policy or strategy in place, and therefore had no approved processes and guidelines on how to mitigate operational, legal, and financial risks. In addition, the Municipality lacks a disaster recovery plan or business

continuity plan, which outlines how it will continue operating during an unplanned service disruption. Management has not instituted its own policies and procedures to guide key financial processes and controls for the management of personnel and related expenditure. Further, the management did not perform formal risk assessments during the financial year audited

In the circumstances, the effectiveness of the Municipality's risk and disaster management processes could not be confirmed.

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

Responsibilities of Management and Board of Directors

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

Auditor-General's Responsibilities for the Audit

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 December, 2025


Municipality of Kendu Bay
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	FY 2024/25	FY 2023/24
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	6,546,900	-
Total revenue		6,546,900	-
Expenditure			
Use of goods and services	7	1,914,471	-
Staff costs	8	3,770,000	-
Board expenses	9	340,000	-
Depreciation	13	65,863	-
Total expenses		(6,090,334)	-
Surplus for the period		456,567	-

The notes set out on pages 9 to 36 form an integral part of these Financial Statements. The entity financial statements were approved on 24th OCT 2025 and signed by:

KENDU-BAY MUNICIPALITY
~~24 OCT 2025~~
Samwel Okoth Onyango
P. O. Box 401 2300,
Municipality Manager
HOMA BAY


Sephaniah Sita Okello
Head of Finance
ICPAK M/No.30278

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

15. Statement of Financial Position As At 30 June 2025

Description	Note	FY	FY
		2024/25	2023/24
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	10	269,449	-
Receivable from Non-Exchange Transaction	11	120,000	
Total current assets		389,449	-
Non-current assets			
Property, plant, and equipment	13	461,038	-
Total Non-current Assets		-	-
Total assets (A)		850,487	-
Liabilities			
Current liabilities			
Accounts payables	12	389,730	-
Provisions		-	-
Total current liabilities		389,730	-
Non-current liabilities			
Borrowings		-	-
Total liabilities (B)		389,730	-
Net Assets (A-B)		460,757	-
Represented by:			
Capital/Development Grants/Fund		0	-
Reserves		0	-
Accumulated surplus		460,757	4,190
Net Assets/Equity		460,757	4,190

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on2025 and signed by:

County Government of Homa Bay
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KENDU-BAY MUNICIPALITY
~~OKOTH~~
24 OCT 2025
Samwel Okoth
P.O. Box 469 - 40300,
Municipality Manager
Date:24/10/2025.


Sephaniah Okello Sita
Head of Finance
ICPAK M/No;30278
Date:24/10/2025.

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

Description	Capital/ Development Grants/Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs.	Kshs.	Kshs.
Bal as at 1 July 2024 (previous year)	-	-	4,190	-
Surplus/(deficit) for the year		-		-
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Bal as at 30 June 2024	-	-	4,190	-
		-		
Bal as at 1 July 2024 (current year)	-	-	4,190	-
Surplus/(deficit) for the year		-	456,567	-
Funds received during the year	-	-	-	-
Revaluation gain/loss	-	-	-	-
Balance as at 30 June 2025	-	-	460,757	-

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

Description	Note	FY	FY
		2024/25	2023/24
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	2,250,000	-
Total Receipts		2,250,000	-
Payments			
Use of goods and services		1,644,741	-
Staff costs		-	-
Board expenses		340,000	-
Total Payments			-
Net cash flows from operating activities		265,259	-
Cash flows from investing activities			
Purchase of PPE & intangible assets		-	-
Proceeds from sale of PPE		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Receipts from Capital grants		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash & cash equivalents		265,259	
Cash And Cash Equivalents At 1 July		4,190	-
Cash And Cash Equivalents At 30 June	10	269,449	-

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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 utilisation
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	B	c=(a+b)	d	e=(c-d)	f=d/c
Budget carryovers from the previous year*	-	-	-	-	-	-
Receipts						
Transfers from the County Government	9,870,274	-	9,870,274	6,546,900	3,323,374	66%
Interest income	-	-	-	-	-	
Miscellaneous income (<i>specify</i>)	-	-	-	-	-	
Total Receipts	9,870,274	-	9,870,274	6,546,900	3,323,374	66%
Payments						
Use of goods and services	4,209,582	-	4,209,582	1,914,471	2,295,111	45%
Board expenses	800,000	-	800,000	340,000	460,000	43%
Staff Costs	3,803,640	-	3,803,640	3,770,000	33,640	99%
Acquisition of Non- financial Assets	1,057,052	-	1,057,052	65,863	991,188	6%
Finance costs	-	-	-	-	-	
Total expenditure Payments	9,870,274	-	9,870,274	6,090,334	3,780,210	62%
Capital Expenditure Payments	8,000,000	-	8,000,000	-	8,000,000	0%
Surplus for the period				456,567	-	

Budget notes

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The underutilisation of below 90% is as a result of;

1. late disbursement of funds from the Treasury
2. Delays in procurement processes for various reasons

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Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	456,567
1	Opening Balance for the previous Year	4,190
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	269,449

19. Notes to the Financial Statements

1. General Information

MUNICIPALITY OF KENDU BAY is established by and derives its authority and accountability from urban areas and cities act. The Municipality is under the Homa Bay County Government and is domiciled in Kenya.

The *entity's* principal activity is urban planning and infrastructure development

2. Statement of Compliance and Basis of Preparation

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

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

3. Application of New and revised standards (IPSAS)

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

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

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

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1st January 2025</i> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<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.

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<p>IPSAS 46: Measurement</p>	<p><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> 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. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i> 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.</p>
<p>IPSAS 50:</p>	<p><i>Applicable 1st January 2027</i></p>

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Exploration For & Evaluation of Mineral Resources	<p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.
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iii. Early adoption of standards

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

Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

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

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

a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cashflows has been presented under section 18 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 City/Municipality recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

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

e) Biological Assets

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

f) Financial instruments

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

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

Financial assets

Classification of financial assets

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

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity

manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through a surplus or deficit model.

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Financial liabilities

Classification

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

g) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement

cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Municipality.

h) Provisions

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

i) Social Benefits

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

j) Contingent liabilities

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

k) Contingent assets

The Municipality does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits – Retirement benefit plans

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

o) Foreign currency transactions

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

p) Borrowing costs

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

q) Related parties

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

r) Cash and cash equivalents

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

s) Comparative figures

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

t) Events after the reporting period

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

Two types of events can be identified:

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

u) Currency

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

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

Useful lives and residual values

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

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

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Notes to the Financial Statements

6. Transfers from the County Government

Description	FY	FY
	2024/25	2023/24
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	2,250,000	-
Payments by County on behalf of the entity	4,296,900	-
Total	6,546,900	-

Kshs. 3,770,000 is staff salaries that was paid centrally by the County Treasury

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7. Use of Goods and Services

Description	FY 204/25	FY 2023/24
	Kshs.	Kshs.
Utilities, supplies and services	-	-
Communication, supplies and services	41,000	-
Domestic travel and subsistence	771,200	-
Foreign travel and subsistence	-	-
Printing, advertising, supplies & services	269,730	-
Rent and rates	-	-
Training expenses	=	-
Hospitality supplies and services	157,980	-
Insurance costs	-	-
Specialized materials and services	-	-
Office and general supplies and services	586,858	-
Fuel, oil and lubricants	-	-
Routine maintenance – vehicles and other equipment	-	-
Routine maintenance – other assets	-	-
Contracted Professional Services	-	-
Supplies and Accessories	84,700	-
Hire of Transport, equipment etc	-	-
Bank Charges	3,003	-
Total	1,914,471	-

8. Staff costs

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Salaries and wages	3,770,000	-
Total	3,770,000	-

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9. Board expenses

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Sitting allowances	340,000	-
Total	340,000	-

10. Cash and cash equivalents

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Current account	269,449	-
Others(<i>specify</i>)	-	-
Total cash and cash equivalents	269,449	-

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

Financial institution	Account number	FY 2024/25	FY 2023/24
		Kshs.	Kshs.
a) Current account			
Kenya Commercial bank		269,449	-
			-
Sub- total		269,449	-
Grand total		269,449	-

11.Receivables from non-Exchange transaction

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Transfer from County Executive	120,000	-
		-
Total	120,000	-

12.Accounts Payables

Description	FY 2024/25		FY 2023/24	
	Kshs.		Kshs.	
Accounts payables;			-	
M/S vakens investment	269,730			
M/S Makjosh investment	120,000			
Total trade and other payables	389,730		-	
Ageing analysis:	Current FY	% of the Total	Comparat ive FY	% of the Total
Under one year	389,730	100%	-	-
Total	389,730	-	-	-

NOTE

1. The M/S Vakens Investment KES.269,730 relates to office stationery. The amount is included in the use of goods and services.
2. The M/S Makjosh investments Kes. 120,000 relates to purchase of office cabinet. The balance is included in the Property, plant and Equipment.

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13. Property, Plant and Equipment

Description	Land	Building	Furniture and fittings	Computers	Other Assets (specify)	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	12.5%	X%	X%	
As at 1 July 2024(previous year)	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-	-
As at 30th June 2025	-	-	526,900	-	-	526,900
Additions for the year	-	-	0	-	-	-
Disposals for the year	-	-	(65,862.5)	-	-	(65,862.5)
Transfer/adjustments	-	-	0	-	-	0
Revaluation Adjustment	-	-	0	-	-	0
As at 30th June 2025(current year)	-	-	461,037.5	-	-	461,037.5
Depreciation and impairment	-	-	-	-	-	-
At 1 July 2024 (previous year)	-	-	0	-	-	0
Depreciation	-	-	0	-	-	0
Impairment	-	-	-	-	-	0

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Description	Land	Building	Furniture and fittings	Computers	Other Assets (specify)	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Depreciation Rate		X%	12.5%	X%	X%	
Transfers/ Adjustments	-	-	-	-	-	-
As at 30 June 2024	-	-	0	-	-	-
Depreciation for the year	-	-	-	-	-	-
Disposals for the year	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
As at 30th June 2025 (current year)	-	-	-	-	-	-
NBV as at 30th June 2024 (previous year)	-	-	-	-	-	-
NBV as at 30th Jun 2025 (current year)	-	-	461,038	-	-	

(Include a brief description of WIP as a footer.)

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14. Related party balances

a) Nature of related party relationships

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

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

b) Key management remuneration

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Board Members	340,000	-
Key Management Compensation	-	-
Total	340,000	-

c) Due from related parties

Description	FY 2024/25	FY 2023/24
	Kshs.	Kshs.
Due from County Government	389,730	-
Total	389,730	-

I. Liquidity risk management

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

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

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

II. Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the City/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.

III. Foreign currency risk

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


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Appendix 2: Inter-Entity Transfers

MUNICIPALITY NAME: KENDU BAY				
Breakdown of Transfers from the County Executive of Homa Bay County				
FY 2024/2025				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		28.10.2024	250,000	FY 2024/2025
		02/12/2024	250,000	FY 2024/2025
		24/12/2024	250,000	FY 2024/2025
		7/2/2025	250,000	FY 2024/2025
		12/3/2025	250,000	FY 2024/2025
		28/4/2025	250,000	FY 2024/2025
		21/5/2025	250,000	FY 2024/2025
		13/6/2025	250,000	FY 2024/2025
		3/7/2025	250,000	FY 2024/2025
		Total	2,250,000	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total		

CPA. OKELLO

ISPAK M/NO..30278



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