

REPUBLIC OF KENYA



Enhancing Accountability

REPORT
OF
THE AUDITOR-GENERAL

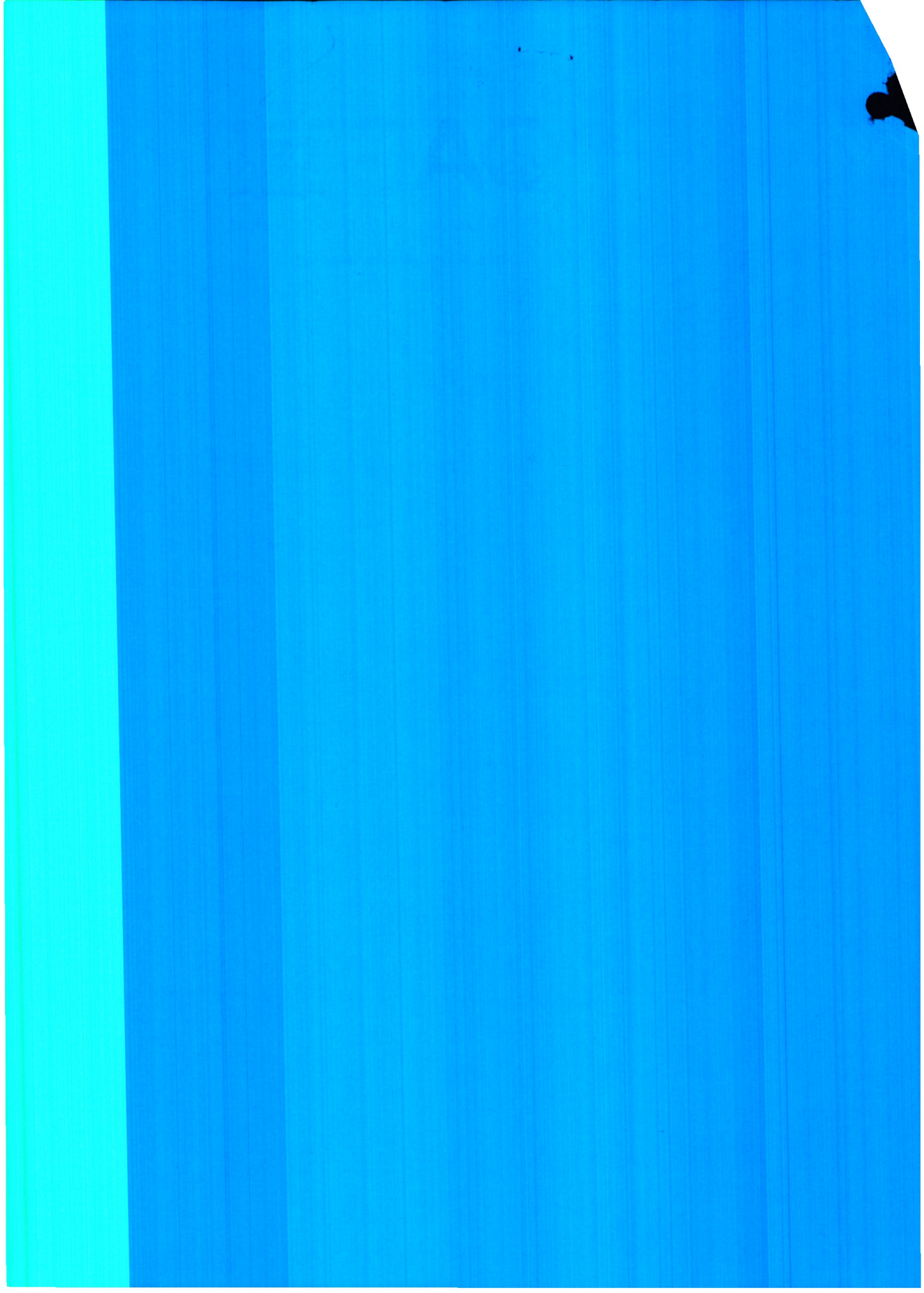
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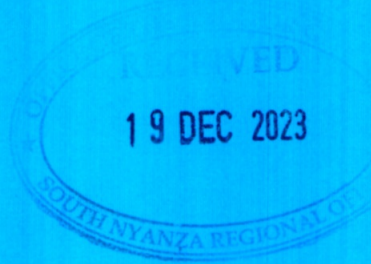
ON

MUNICIPALITY OF HOMA BAY

FOR THE YEAR ENDED
30 JUNE, 2023

	PAPERS LAID
DATE	19/03/2024
TABLED BY	ML
COMMITTEE	-
CLERK AT THE TABLE	Carolyne Chesop





MUNICIPALITY OF HOMA BAY

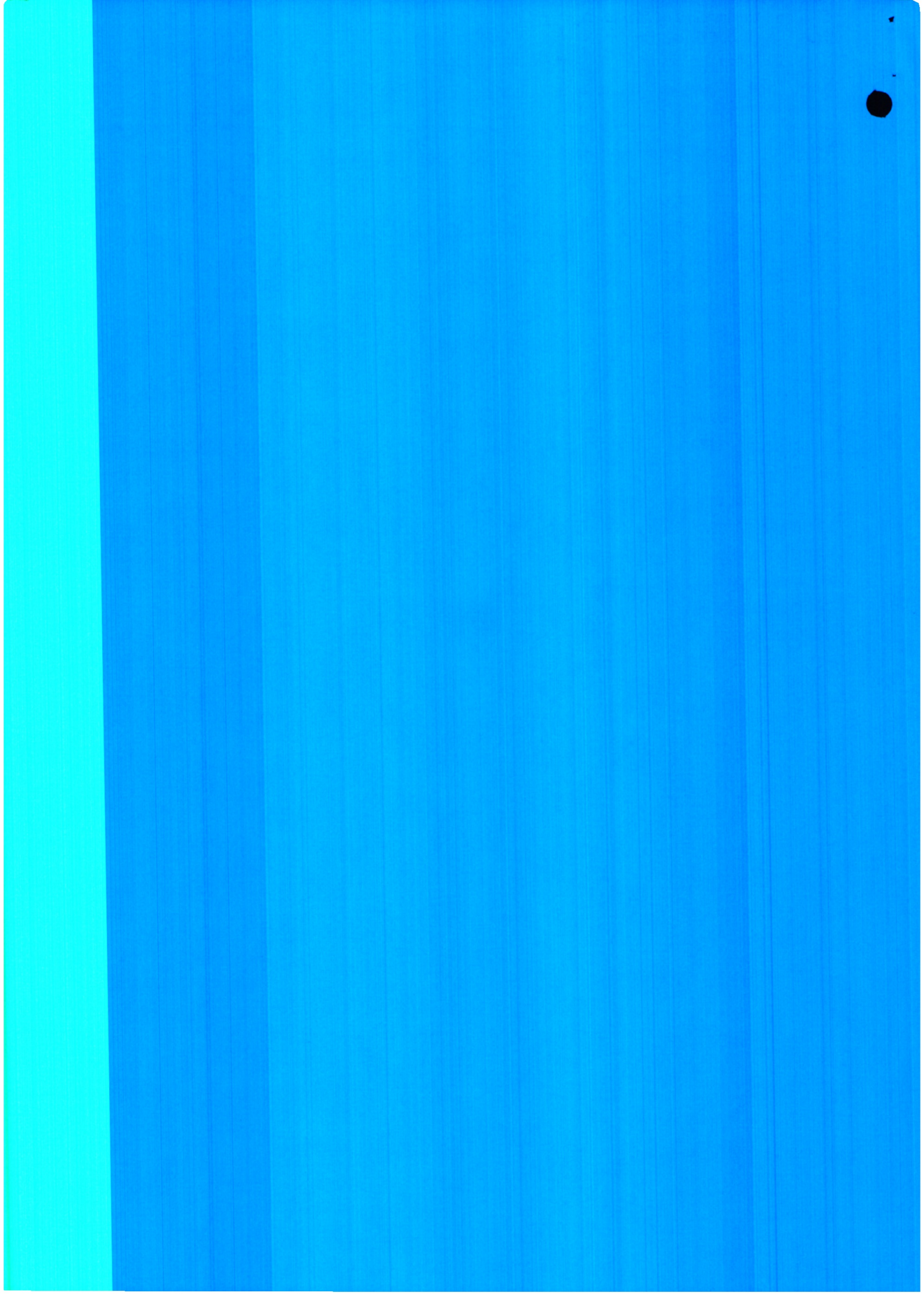
County Government of Homa Bay

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

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

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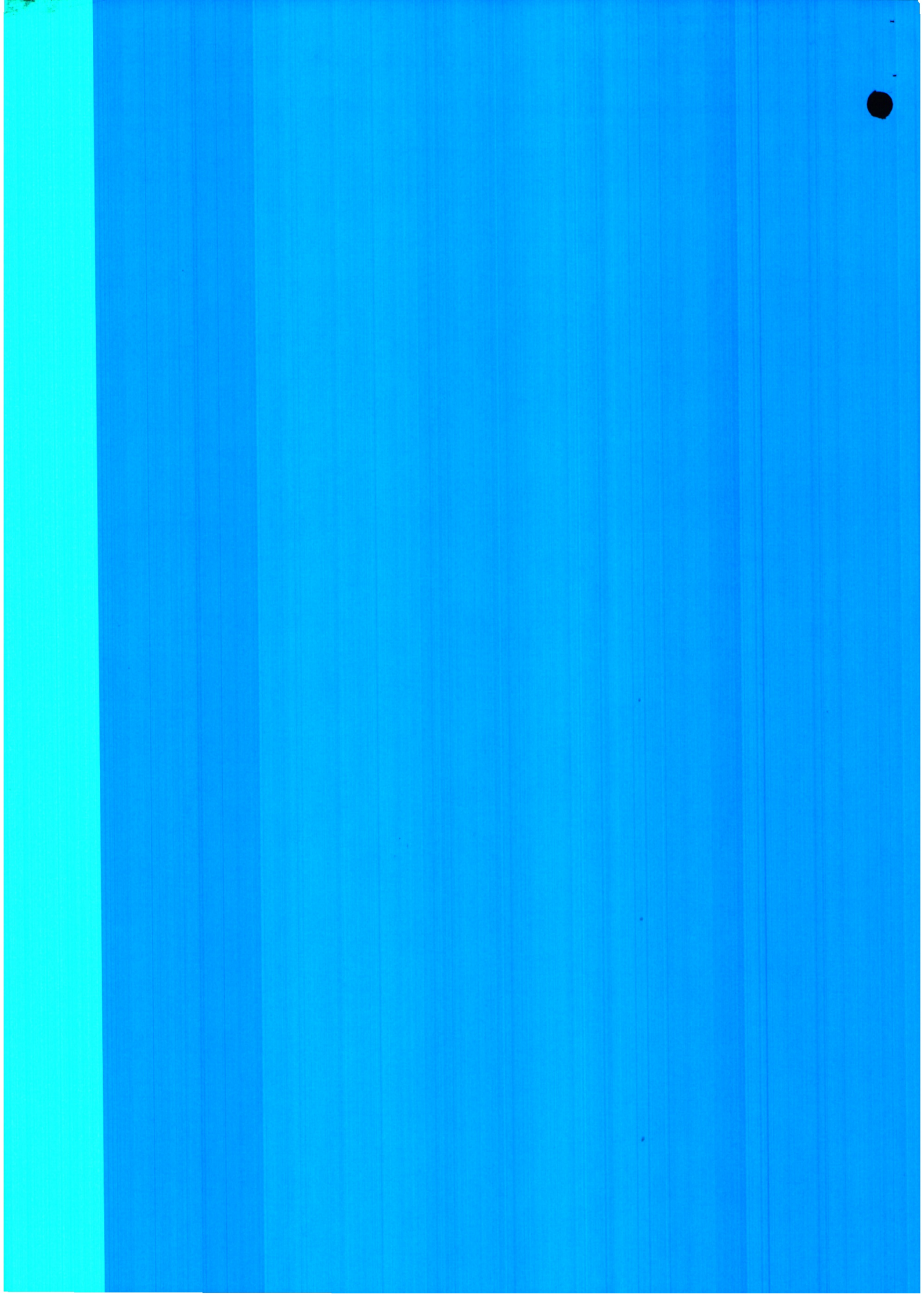
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1. Acronyms & Glossary of Terms

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



2. Key Municipality Information and Management

a) Background information

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

b) Principal Activities

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

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

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

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

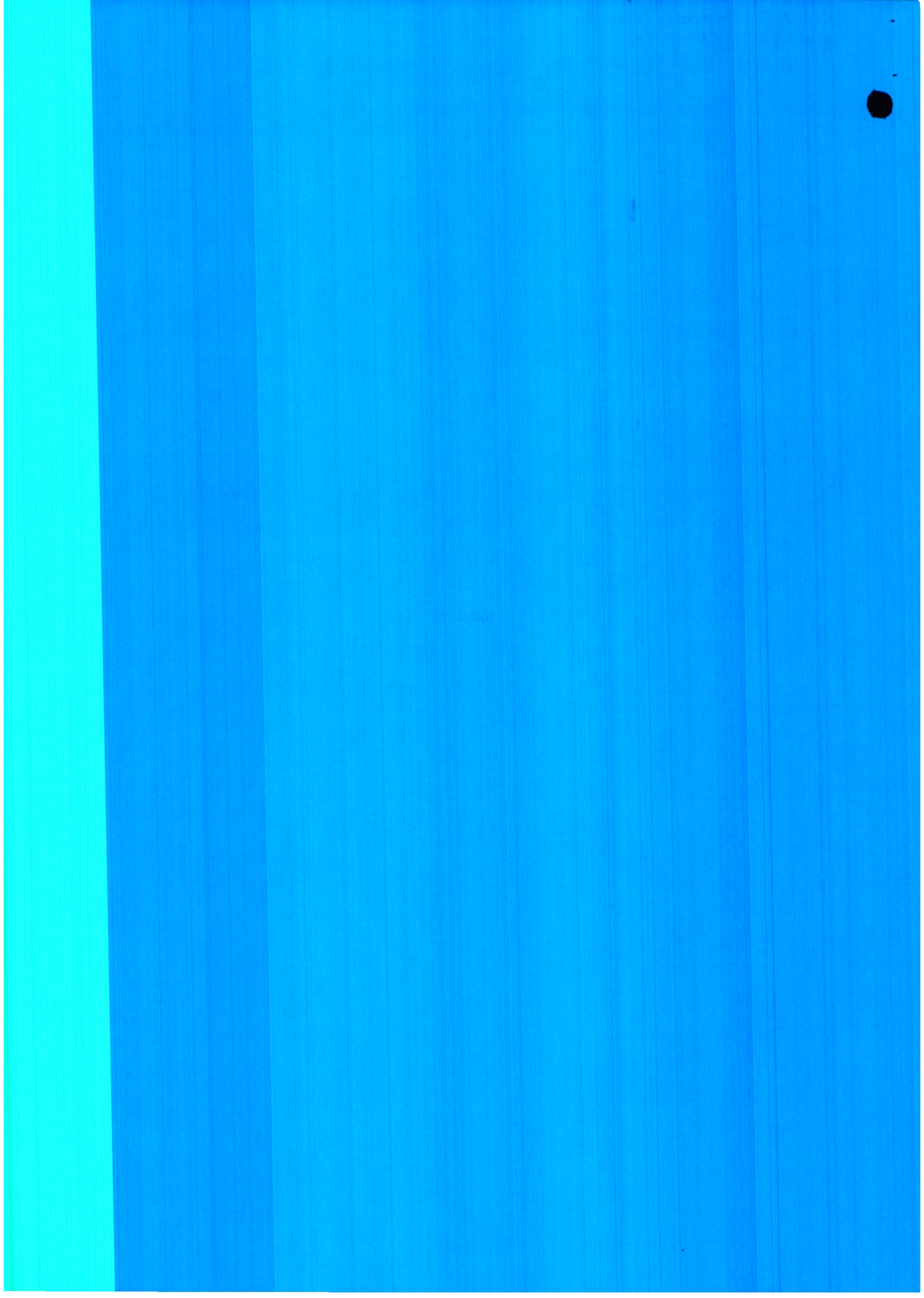
c) Key Management

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

- County Government of Homa Bay Executive
- County department of Housing and Urban Development in charge of Municipalities
- Board of Management
- Accounting Officer/Municipality Manager

d) Fiduciary Management

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



Ref	Position	Name
1	Municipality Manager	Mr Thomas Odipo
2	Chief Officer- Lands, Housing and Urban Development	Mr Charles Obondo
3	Accountant	Miss Crisencia Achieng

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

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

ii) County Assembly committees

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

iii) Committees of the Senate

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

f) Registered Offices

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

g) Contacts

Telephone: (+254) 724 589 498

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

Website: www.homabaycounty.go.ke

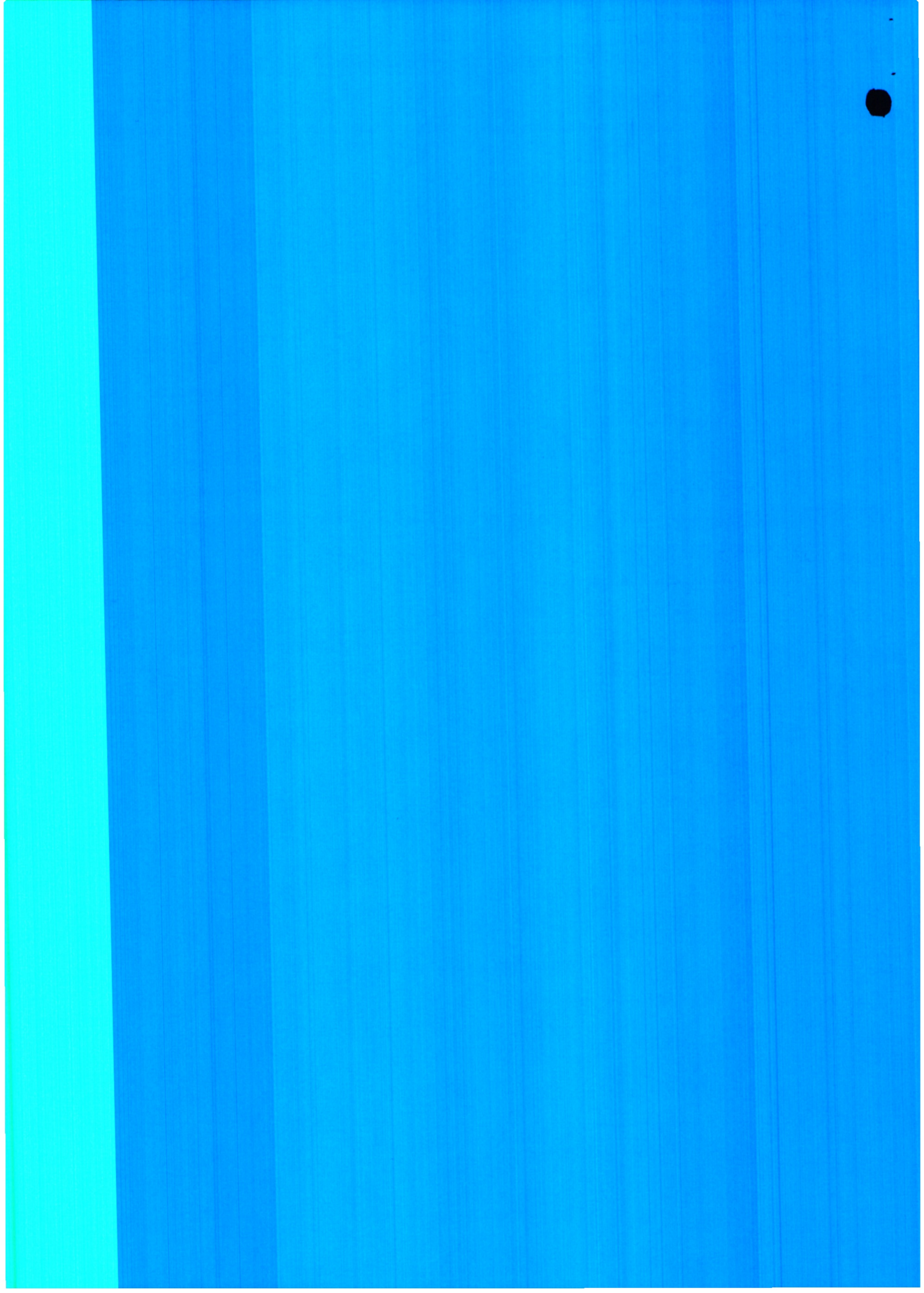
h) Bankers

Commercial Banks

1. Kenya Commercial Bank

Haile Selassie Avenue

P.O.BOX 60000



City Square 00200

Nairobi, Kenya

2. Equity Bank

Homa Bay Branch

P.O.Box 75104-40300

Homa Bay, Kenya

i) Independent Auditor

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

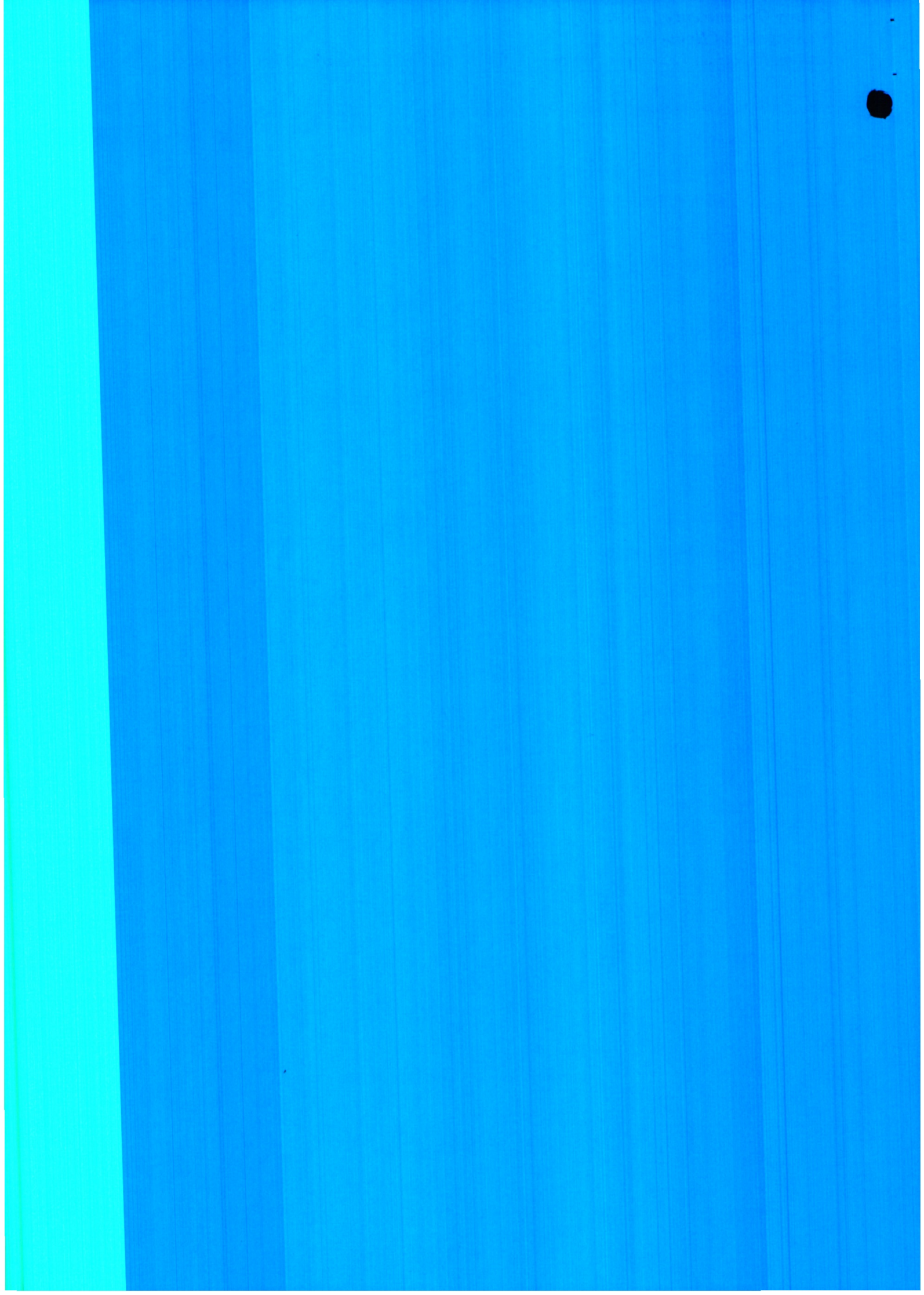
State Law Office

Harambee Avenue

P.O. Box 40112

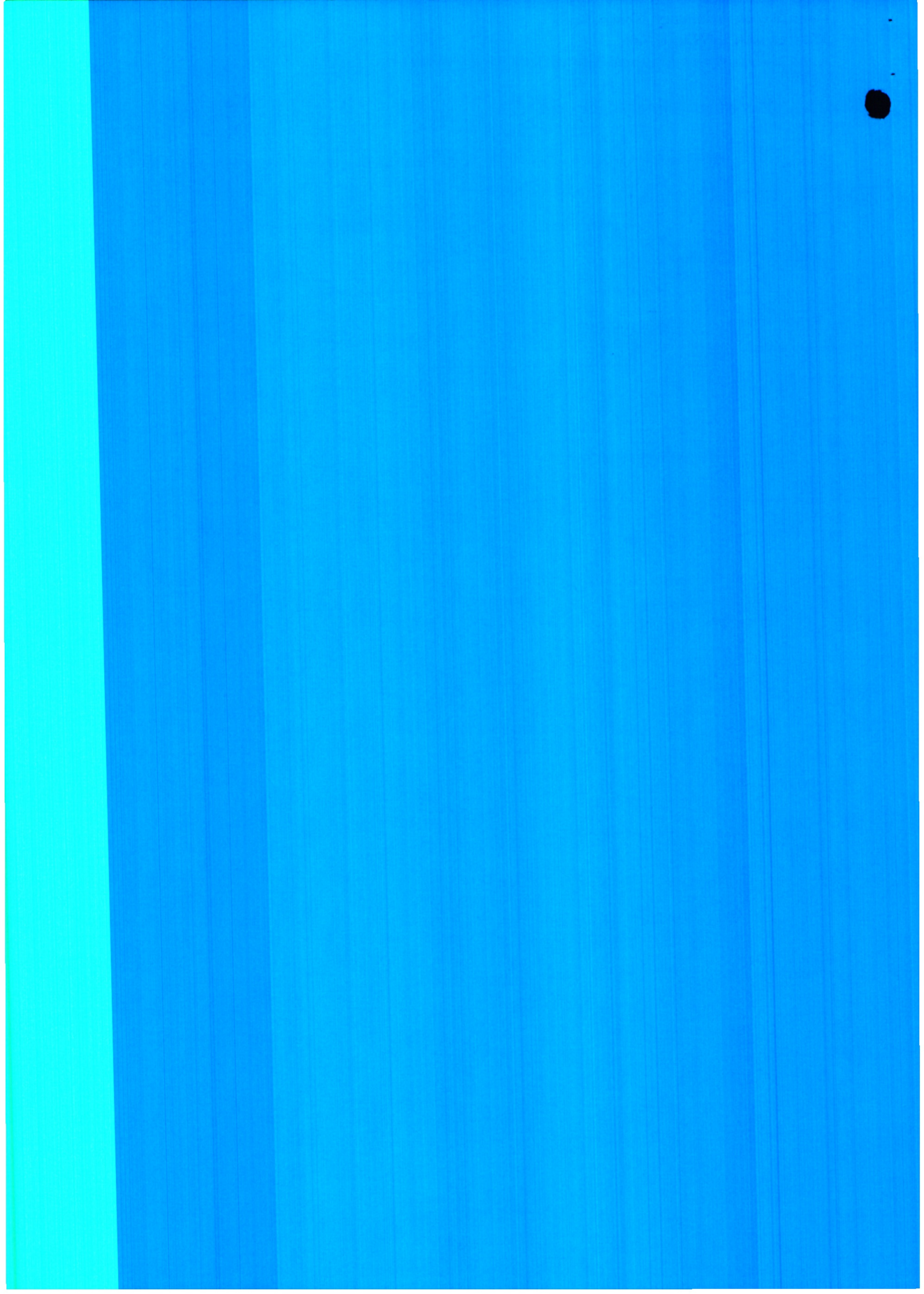
City Square 00200

Nairobi, Kenya



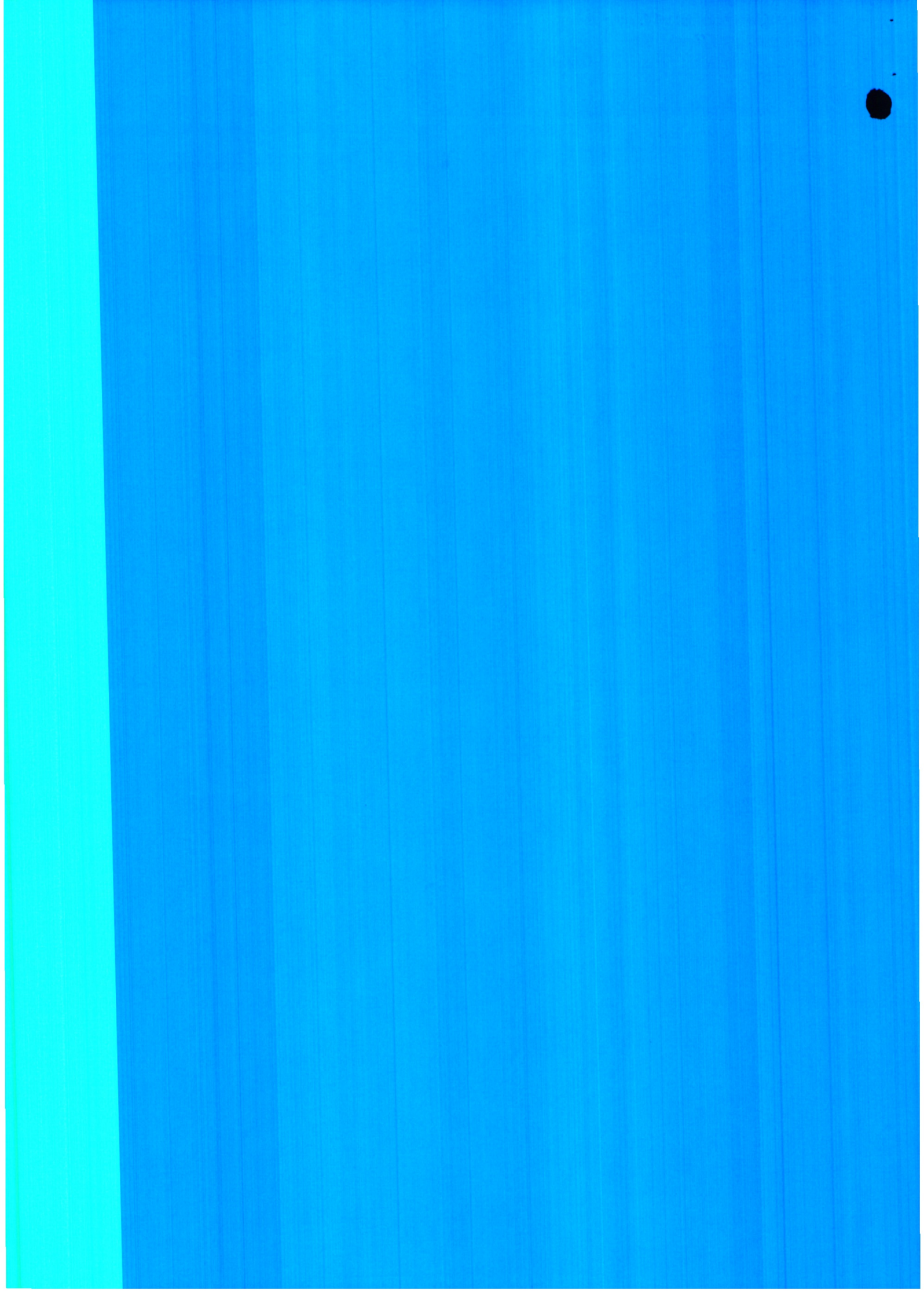
3. Municipality Board

Serial No.	Name	Details of qualifications and experience
1	Prof Donald Ogweno	Board Chair Person
2	Mr Thomas Odipo	Board Secretary
3	Mr Charles Obondo	Board Member
4	Mrs Roseline Odhiambo	Board Member
5	Mr ken Ongeko	Board Member
6	Eng Kenneth Ochieng	Board Member
7	Buriri	Board Member



4. Key Management Team

Serial No	Name	Details of qualifications and experience
1.	Mr Thomas odipo	Accounting officer/Manager of the municipality responsible for overseeing all municipality operations and reporting to the board of trustees
2.	Miss Cresencia Achieng	Accountant



5. Municipality Board Chairperson's Report

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

In the financial year 2022/2023, the Municipality of Homa Bay had printed estimates totalling to KES 69,488,433 of which KES 27,969,896 while KES 41,518,537 was meant for capital expenditure.

The Municipality managed to complete several projects such as the improvement to bitumen standard of ABSA bank Junction to St Paul's Hospital road, Renovation of the Homa bay Bus Park, Partial Fencing of the Homa Bay Municipal Market and Construction of an additional canopy over the Homa Bay Municipal Market.

The Municipality faced a myriad of challenges including; underfunding from the County Government, lack of qualified technical staff to oversee projects, delayed payment of completed projects leading to stalling of projects, slow procurement processes among others.

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

Signed: _____

Name: ANTHONY K. MURONGI
Board Chair Person



1900-1901

1. REPORT OF THE MUNICIPAL MANAGER

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

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

In the financial year 2022/2023, the Homa Bay Municipality had final printed estimates totalling to KES 57,594,679 of which KES 27,969,896 while KES 29,624,783 was meant for capital expenditure. The actual amounts utilized were KES 17,082,470.

The Municipality's principal activities are as follows;

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

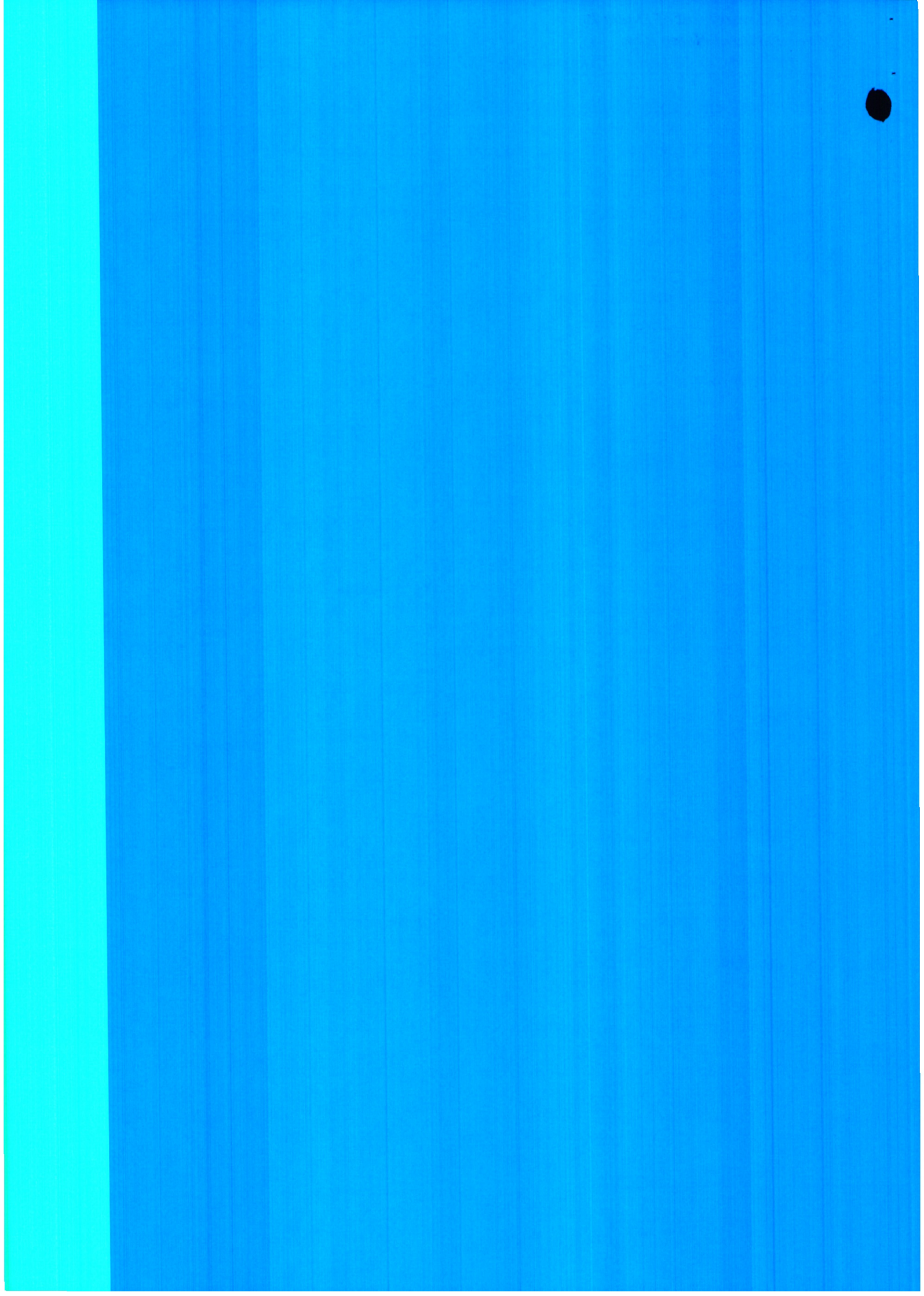
Since establishment, the municipality has achieved several high impact projects such as the Construction of Homa Bay Municipal market and improvement of the JNC19 to Tom Mboya link road (County Assembly) both of which are at 100% completion.

In addition, the Municipality's achievements for the year 2022/2023 were as follows:

1. Completion to Bitumen standard of the Absa bank to St Paul's Hospital road (100% Complete.)
2. Partial fencing of the Homa Bay Municipal Market. (50% Complete)
3. Rehabilitation of the Homa bay Bus Park. (80% Complete)
4. Construction of an additional canopy over the Homa Bay Municipal Market. (100% Complete).

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

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

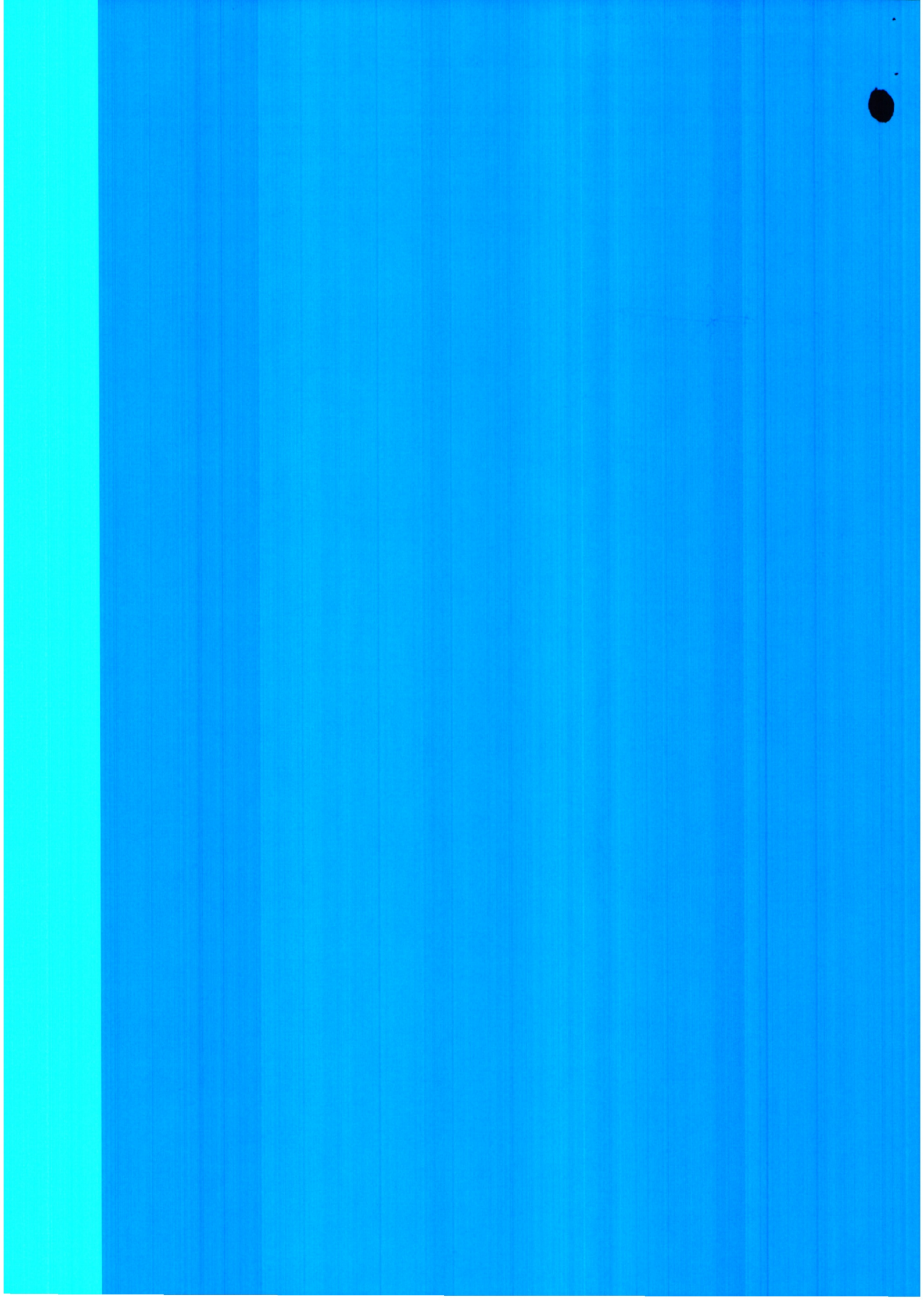


Some of these challenges have however been addressed in the current financial year. For instance, the County has employed the technical staff needed and seconded some from other departments. Financially there is a positive outlook as the County is working on increasing the Municipality's budget to cater for all planned projects in the CIDP. In addition, the Municipality is expected to receive additional funding from the World Bank (Urban Development Grant) in relation to the Kenya Urban Support Programmed. This will go a long way in enabling the entity to achieve its objectives.

Signed: _____



Thomas Owino Odipo
Municipality Manager



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

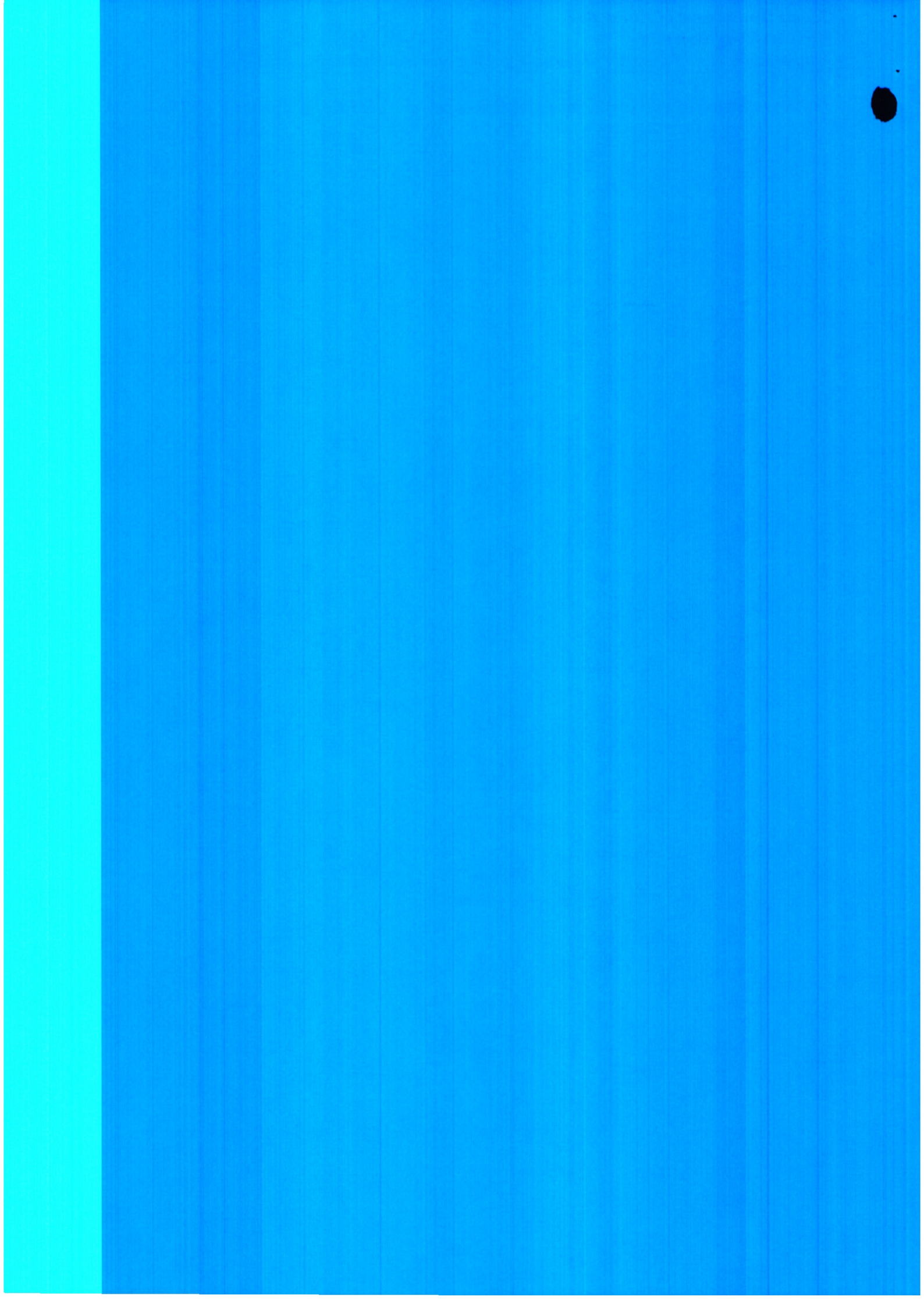
The key development objectives of the Homa Bay Municipality for the 2022 2023 plan are to:

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

Progress on attainment of Strategic development objectives

Program	Objective	Outcome	Indicator	Performance
Policy Planning and administration services	To provide overall policy and strategic direction for the transformation of the Homa Bay Municipality	Well-staffed, equipped and operational municipal office	Number of traders and people in the market	Staff were paid on time and operations funded to 90%
Public Works and Infrastructure Development Services	To promote effective development, management and maintenance of all municipal facilities and roads.	Well developed and maintained infrastructure for public use.		In the FY 2022/23 the Absa bank to St paul's road & Construction of canopy at the market was completed to 100%
				The rehabilitation of the bus park and fencing of the market are at 80% & 50% respectively
Housing and Urban Development Services	To promote proper planning and development of urban areas within the municipality.	Well planned, orderly and well developed Municipality		Not Achieved due to inadequate budget
Environmental Management Services	To promote a proper waste disposal and clean environment	A well maintained clean environment		Not Achieved due to inadequate budget

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



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

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



8. Corporate Governance Statement

APPOINTMENT OF BOARD MEMBERS

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

BOARD REMUNERATION

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

BOARD INDUCTION AND TRAINING

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

ETHICS AND CONDUCT

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

BOARD MEMBER PERFORMANCE/GOVERNANCE AND AUDIT

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

BOARD MEETINGS

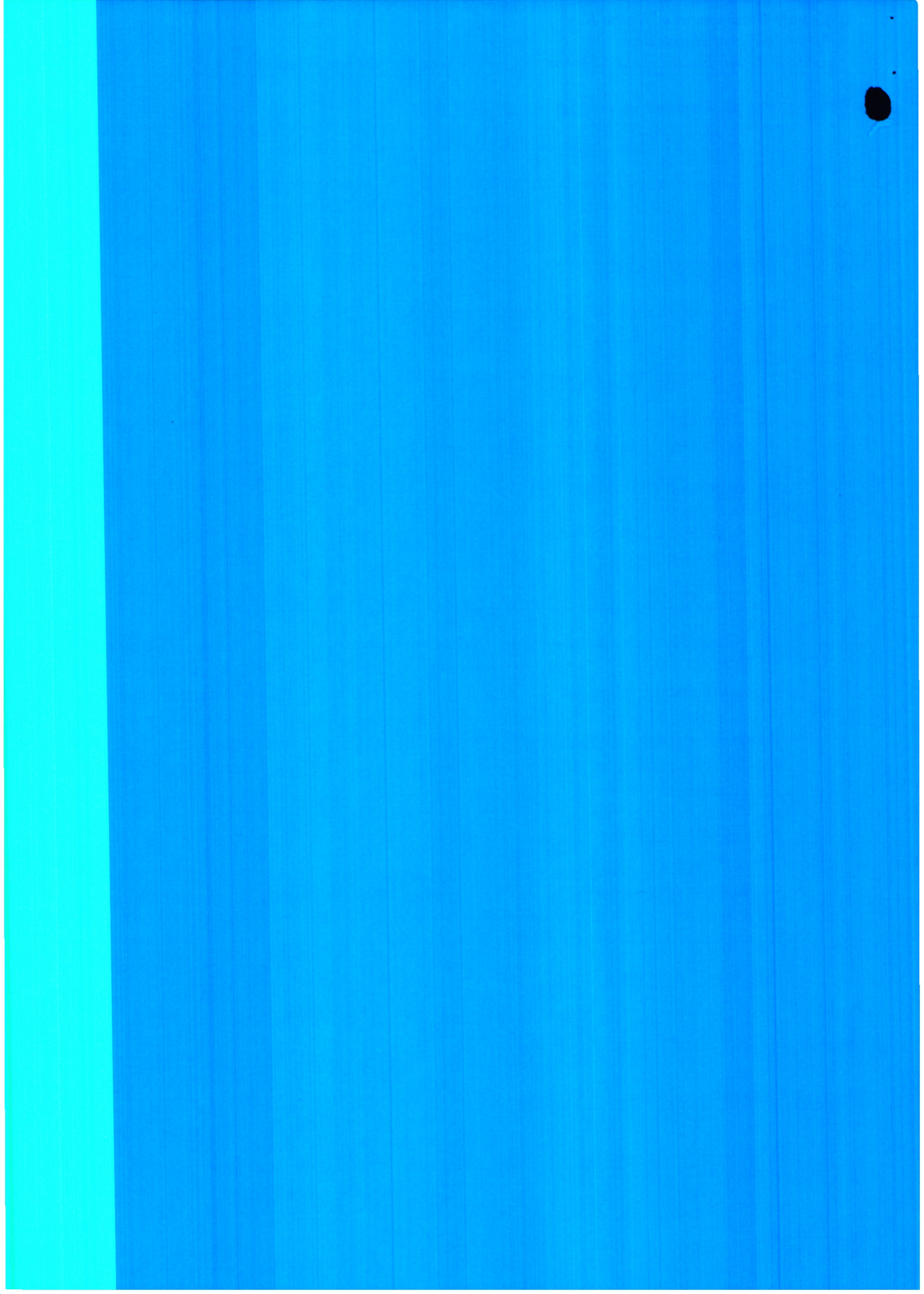
The Homa Bay Municipal Board has held quarterly full Board Meetings and public fora engagements as provided for in the Urban Areas and Cities Act and special Board meetings as need arose. A total of 4 full board meetings, 1 public fora meetings and 3 special Board meetings were held in the last financial year.

BOARD CHARTER

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

ROLES AND FUNCTIONS OF THE BOARD

- Provide for efficient and accountable management of the affairs of the



Municipality.

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

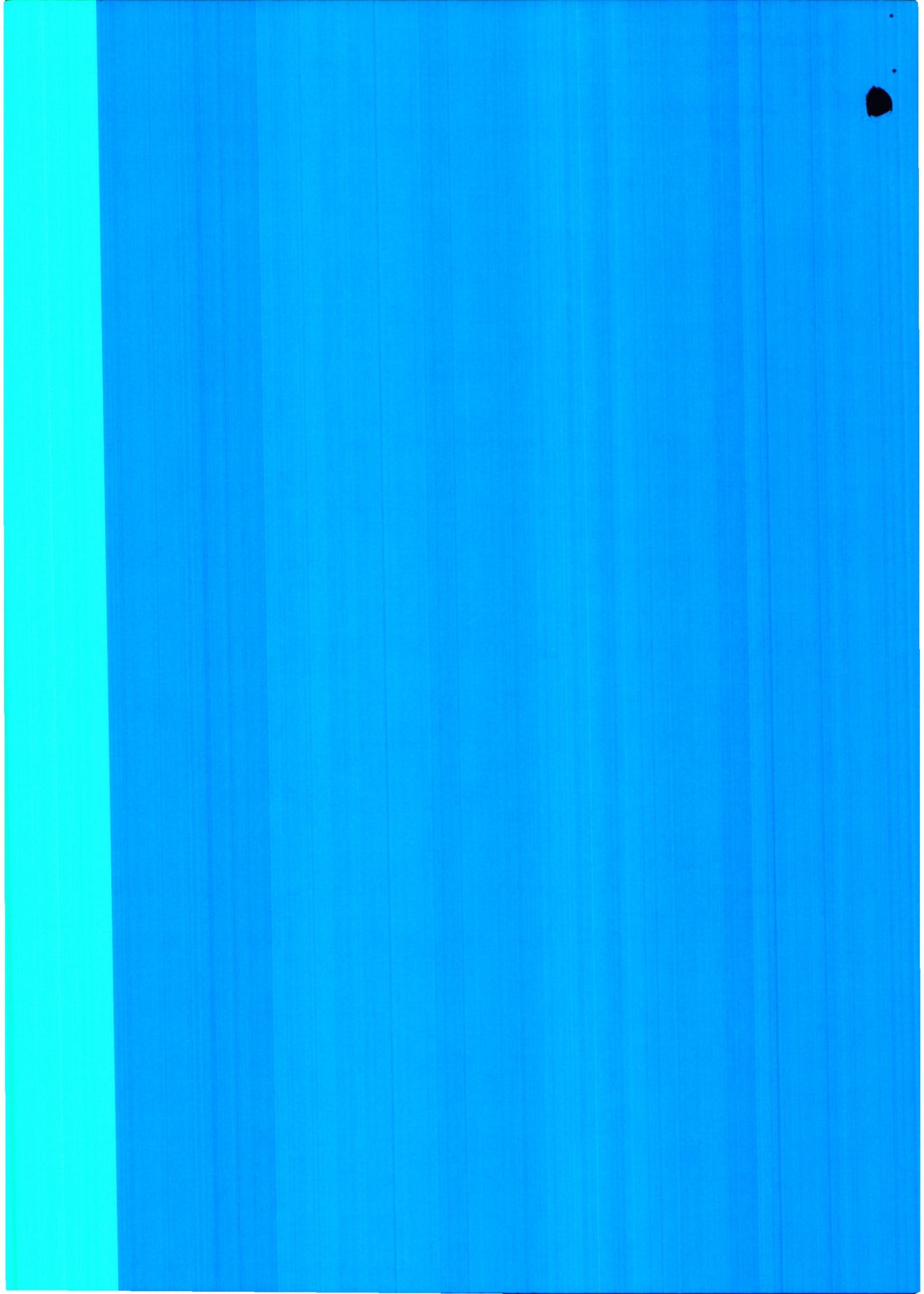
POWERS, OBJECTS AND FUNCTIONS OF THE MUNICIPALITY

Powers of the Municipality

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

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

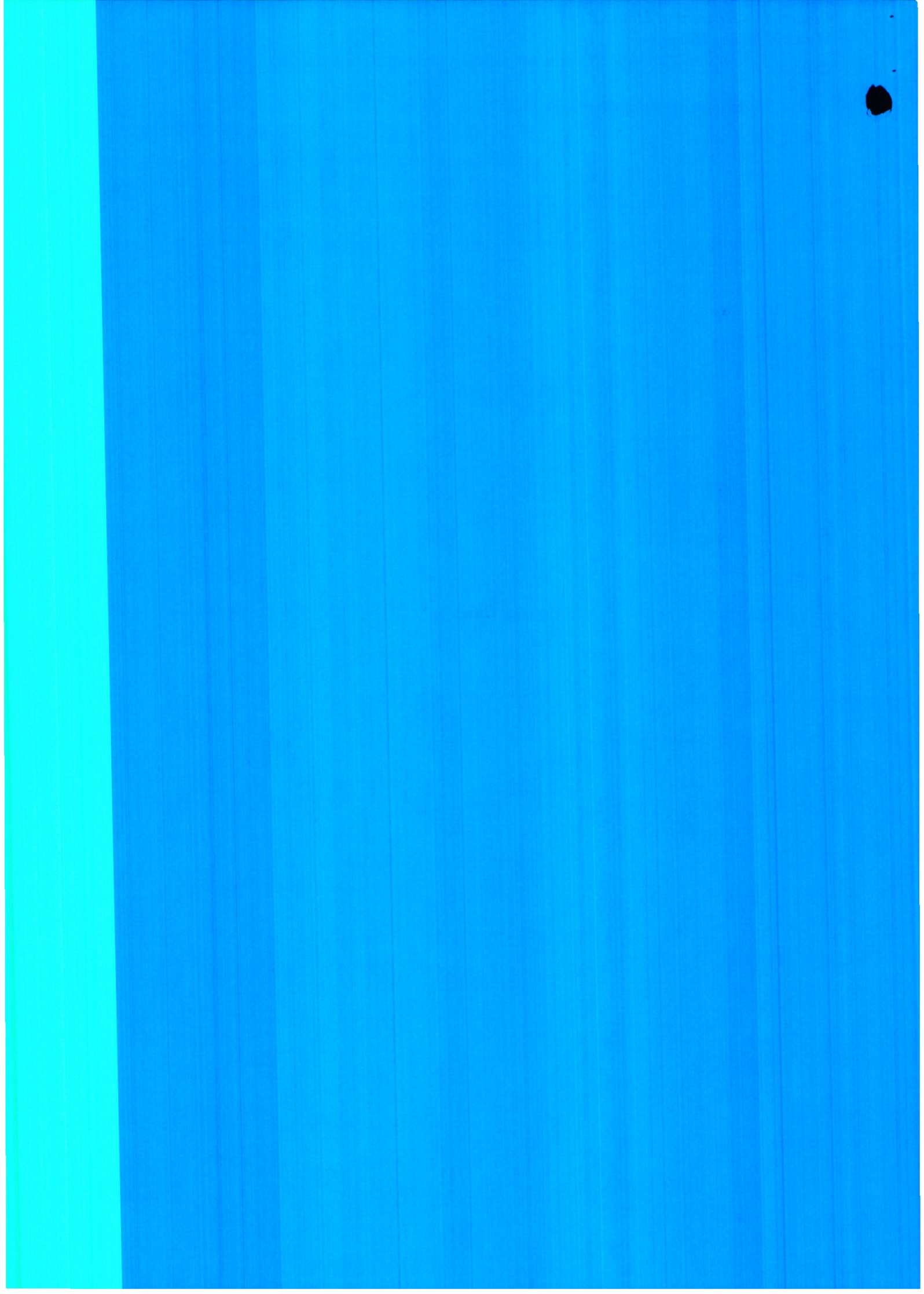
All such powers shall be exercised in the manner prescribed in the Charter, or, if not prescribed herein, in such manner as the Board of the Municipality may determine, or, unless a contrary intent appears in this Charter or in the By-laws and Resolutions of the Board of the Municipality, in such manner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



9. Management Discussion and Analysis

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

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



10. Environmental and Sustainability Reporting

1. Sustainability strategy and profile

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

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

2. Environmental performance

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

3. Employee welfare

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

4. Market place practices

a) Responsible competition practice.

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

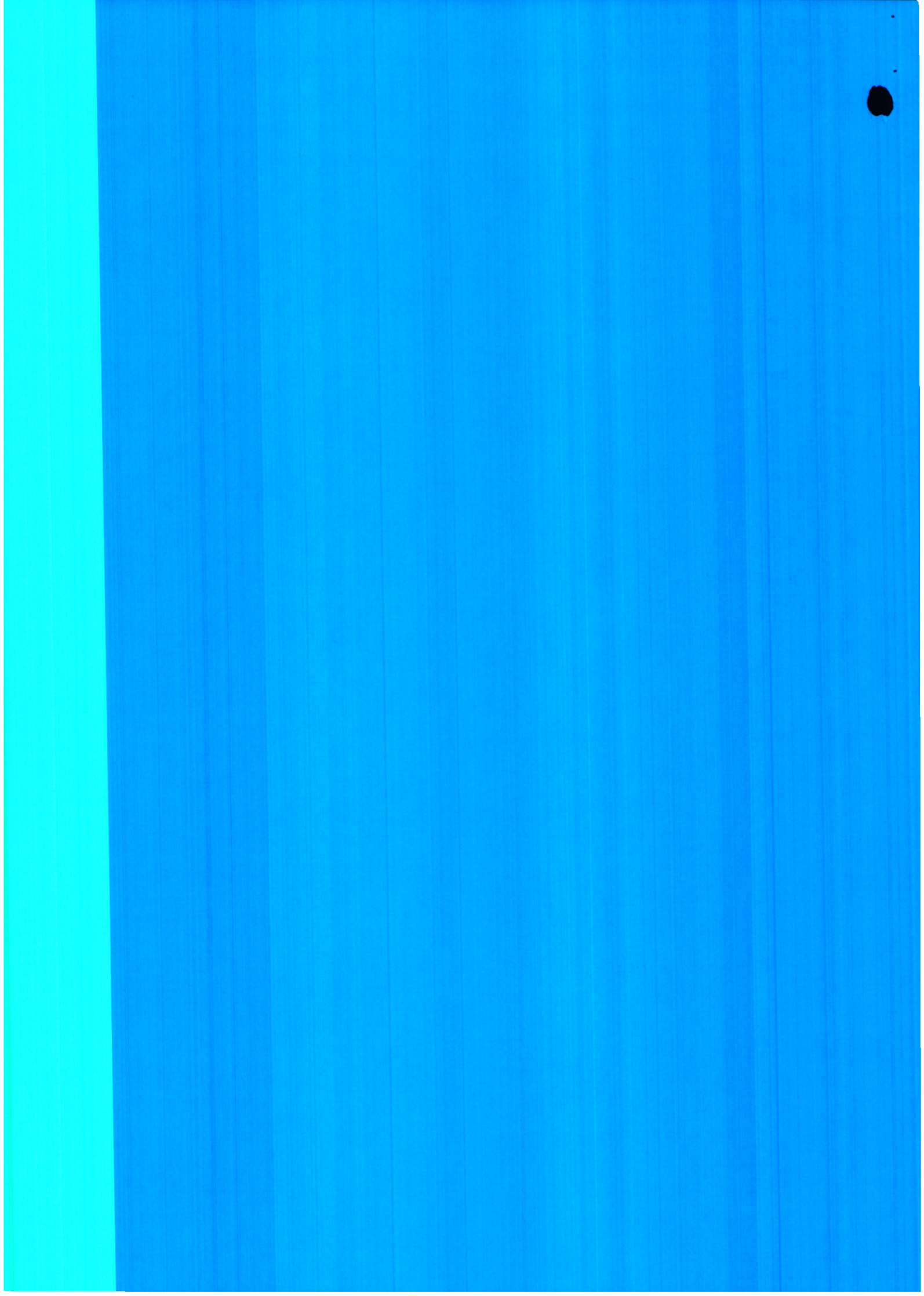
b) Responsible Supply chain and supplier relations

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

5. Community Engagements

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





11. Report of the Municipality Board Members

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

Principal activities

The principal activities of the Municipality are:

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

Performance

The performance of the Municipality for the year ended June 30, 2023 are set out on page 1

Board Members

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

Auditors

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

By Order of the Board

.....
Name:

Secretary of the Board



12. Statement of Management's Responsibilities

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

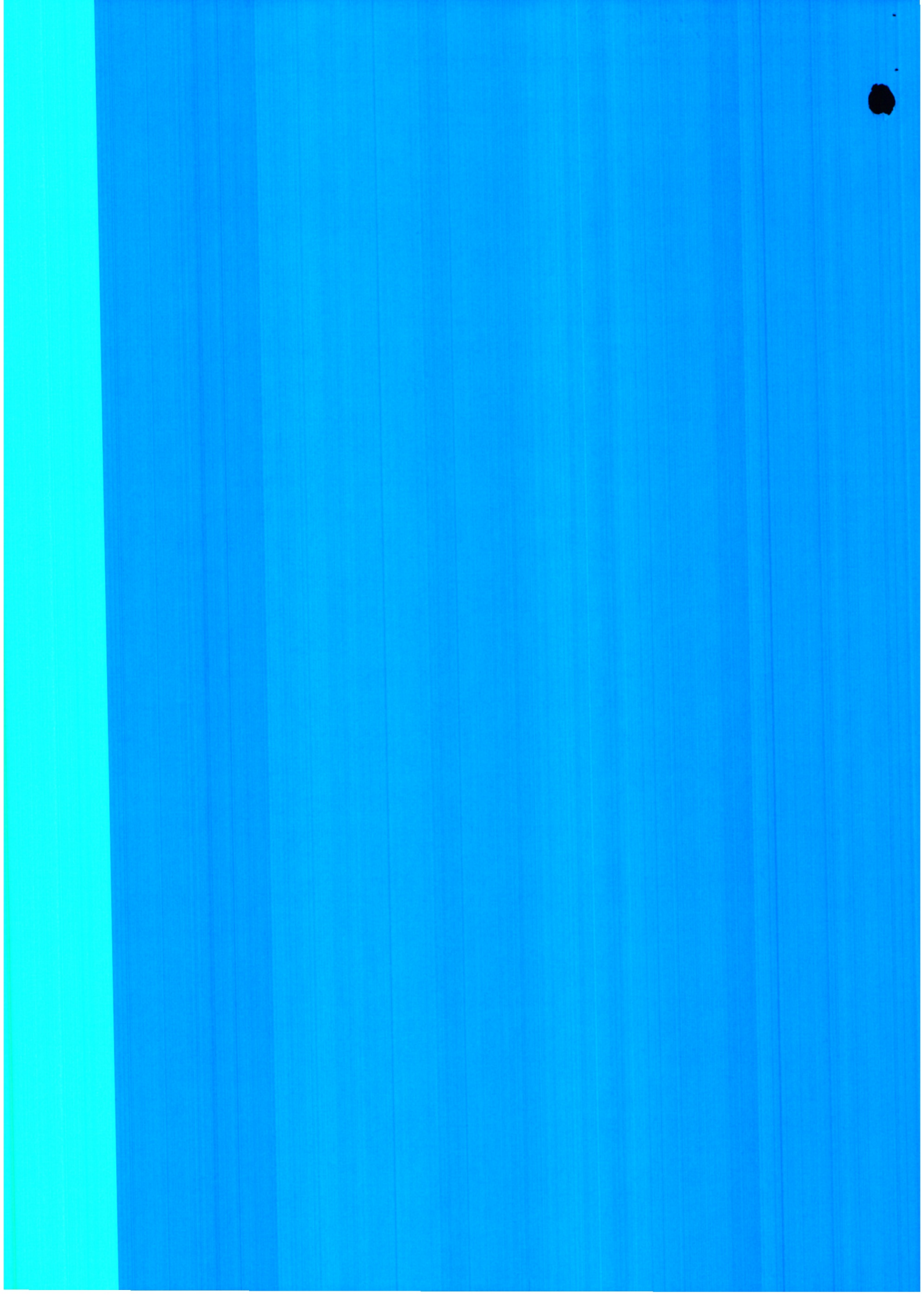
The Municipality manager is responsible for the preparation and presentation of the Municipality's financial statements, which give a true and fair view of the state of affairs of the Municipality for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Municipality, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the Municipality, (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Municipality Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The Municipality Manager is of the opinion that the financial statements give a true and fair view of the state of the Municipality's transactions during the financial year ended June 30, 2023, and the financial position as at that date.

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

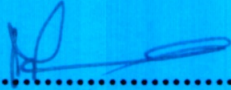
Nothing has come to the attention of the Municipality Manager to indicate that the Municipality will not remain a going concern for at least the next twelve months from the date of this statement.

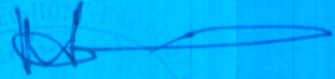
Approval of the financial statements



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

The Municipality's financial statements were approved by the Board on _____ 2023 and signed on its behalf by:


.....
Name: *ANTHONY NYAMONL*
Chairperson of the Board


.....
Name: *Maule Olach*
Accounting officer of the Board

19 DEC 2023



REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Municipality of Homa Bay as set out on pages 1 to 28, which comprise the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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

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

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2023 reflects final revenue budget and actual on comparable basis of Kshs.57,594,679 and Kshs.22,281,737 respectively translating to an underfunding of Kshs.35,312,942 or 39% of the budget.

In the circumstances, the under funding of revenue affected service delivery to the public.

My opinion is not modified due to the effects of the above matter.

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. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Delayed Rehabilitation Works at Homa Bay Main Bus Park

The statement of financial position and as disclosed in Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.272,664,888 which includes additions during the year in respect to land and buildings of Kshs.16,656,102. Review of records revealed that Management engaged a local contractor towards the rehabilitation works at the Homa Bay Main Bus Park at a contract sum of Kshs.14,287,556 for a period of fifty-two (52) weeks effective from 27 May, 2022 to 27 May, 2023. The contractor had cumulatively been paid an amount of Kshs.8,105,732. The contract was terminated on 17 August, 2023 the due to failure to deliver the project fully within the agreed timelines.

Physical inspection in the month of October, 2023 revealed that the project remained incomplete and the contractor was not on site. It was also noted that the main Bus Park was operational and open for the public use without a certificate of practical completion and handing over report.

In the circumstances, value for money may not have been achieved in the cumulative expenditure of Kshs.8,105,732 towards the project.

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

The statement of financial position reflects property, plant and equipment balance of Kshs.272,664,888 which included additions during the year to land and buildings of Kshs.16,656,102 as disclosed in Note 13 to the financial statements, out of which an amount of Kshs.8,358,037 was incurred towards construction of market fencing and gabion protection works at the Municipal Market (Phase 3).

The contract was awarded to a local contractor on 27 May, 2022 at a contract sum of Kshs.21,730,982. The contract commenced on 27 May, 2022 with expected completion date of 27 May, 2023. The value of works certified and paid as at the time of audit amounted to Kshs.8,566,855.

However, physical inspection in October, 2023 revealed that the project was incomplete and the columns had been partly erected, walling not satisfactorily done and only one grill fixed.

In the circumstances, value for money may not have been achieved in the cumulative expenditure of Kshs.8,566,855 towards the project.

3. Un Approved Expenditure

Municipality spent an amount of Kshs.76,731,044 out of the approved expenditure budget of Kshs.57,594,697 indicating an over expenditure of Kshs.19,136,347 and or 133% of the budget. This is contrary to Section 45(3) of the Public Procurement and Assets Disposal Act, 2015 which requires that all procurement processes should be within the approved budget of the procuring entity and should be planned by the procuring entity concerned through an Annual Procurement Plan.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, 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 procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Municipality's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to dissolve the Municipality or to cease its 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 are following the authorities which govern them, and that public resources are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

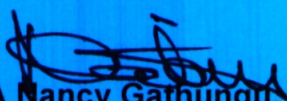
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

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

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

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

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 January, 2024

County Government of Homa Bay

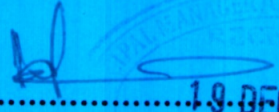
Municipality of Homa Bay

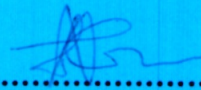
Annual Report and Financial Statements for the year ended June 30, 2023

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2023.

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	6	3,500,000	19,694,360
Public contributions and donations	8	-	70,175,301
Other revenues (<i>Direct payments by County Government</i>)	7	18,781,737	-
Total revenue		22,281,737	89,869,661
Expenditure			
Use of goods and services	9	4,049,167	24,726,209
Staff costs	10	145,000	188,000
Board expenses	11	1,005,100	-
Total expenses		5,199,267	24,914,209
Surplus for the period		17,082,470	64,955,452

The notes set out on pages 20 to 22 form an integral part of these Financial Statements. The Municipality's financial statements were approved on _____ 2023 and signed by:


.....19 DEC 2023.....
Name: *Wak Olesha*
Municipality Manager

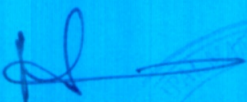

.....
Name: *Sitah Okello*
Head of Finance
ICPAK M/No

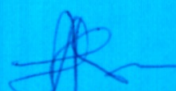
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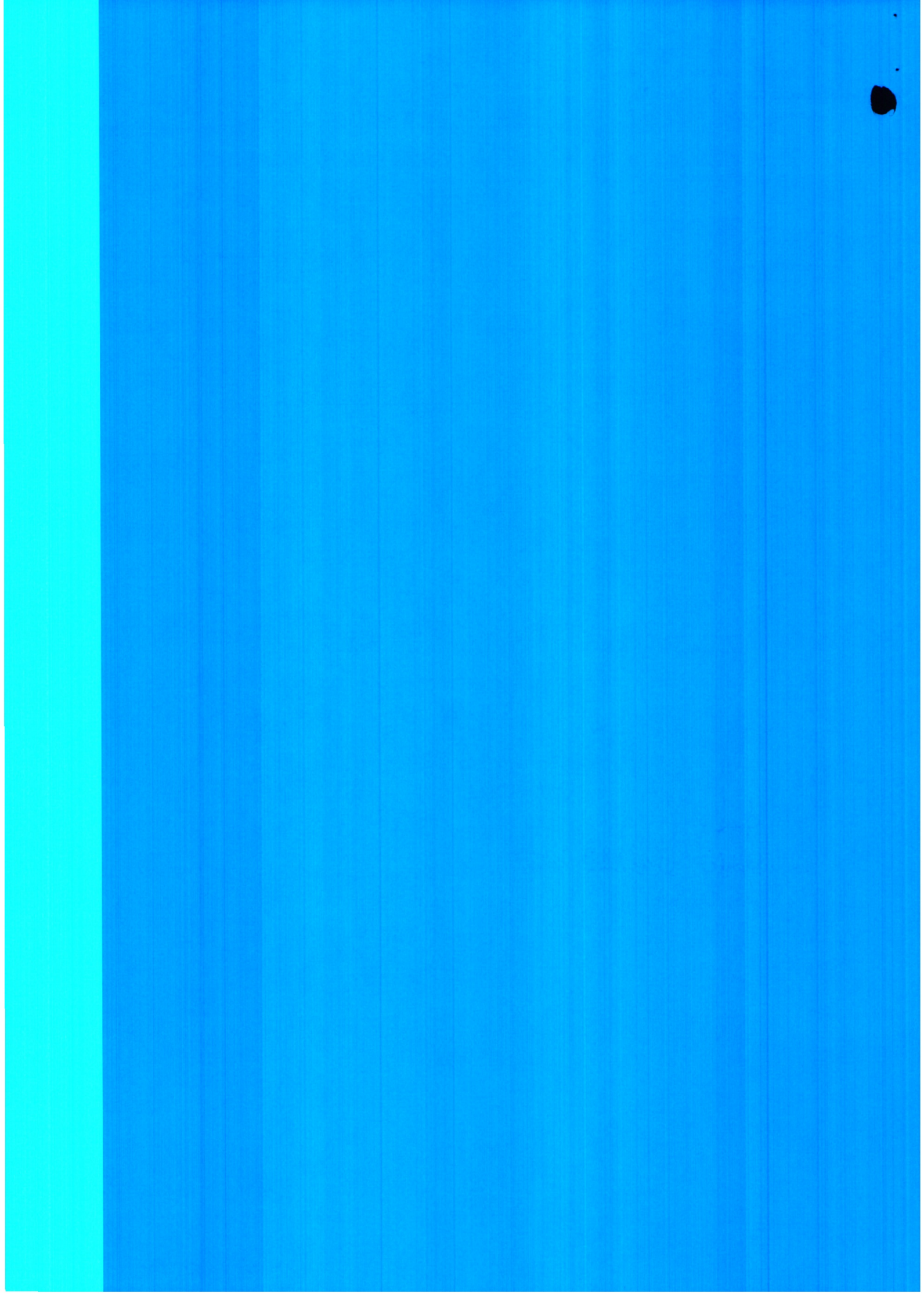
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	12	3,386,606	57,835,913
Total current assets		3,386,606	57,835,913
Non-current assets			
Property, plant, and equipment	13	272,664,888	201,133,111
Total assets		276,051,494	258,969,024
Liabilities			
Current liabilities			
Net assets			258,969,024
Accumulated surplus		276,051,494	258,969,024
Total net assets and liabilities		276,051,494	258,969,024

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Municipality's financial statements were approved on _____ 2023 and signed by:

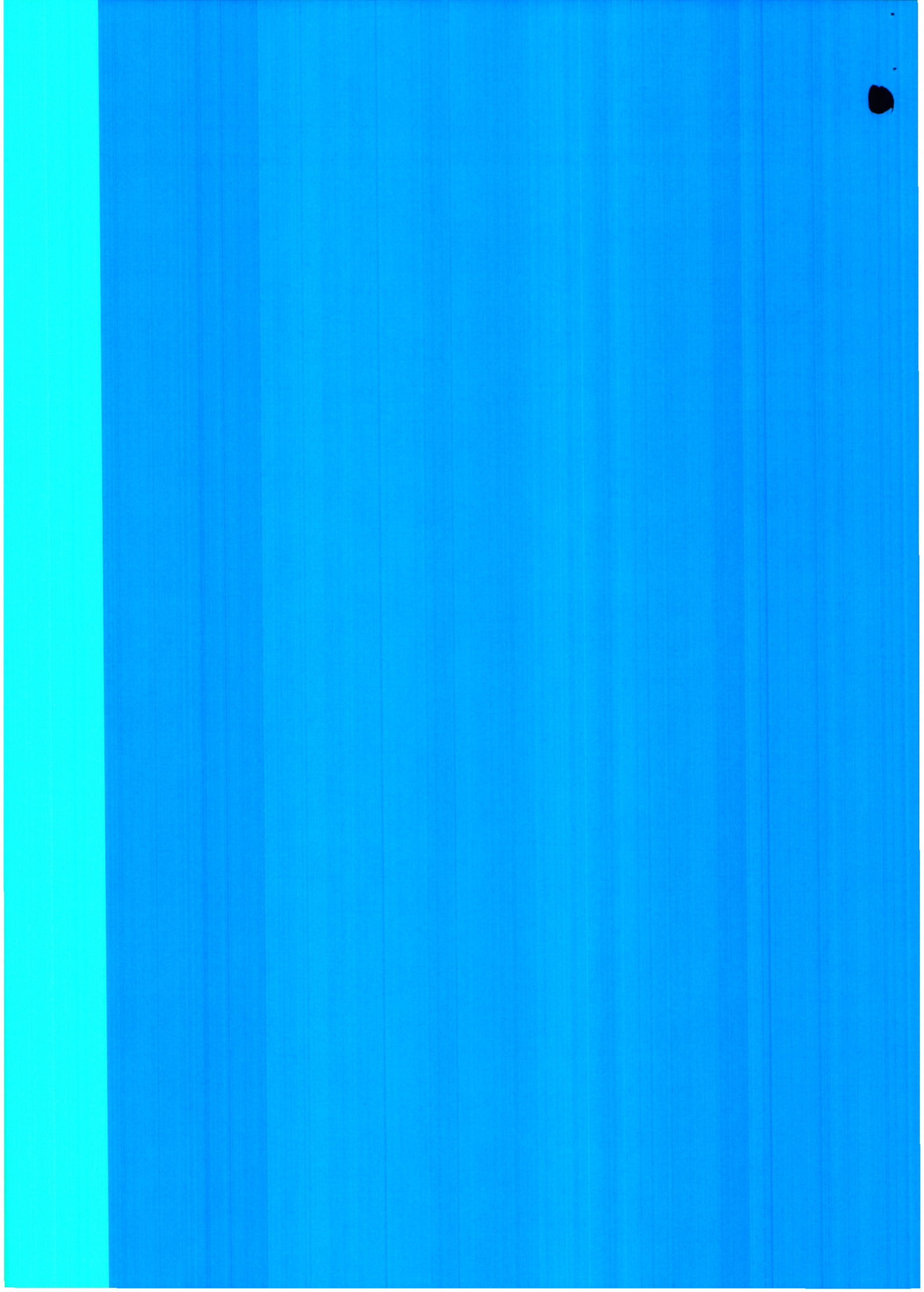

 Name: Nate Odetia DEC 2023
 Municipality Manager
 Date:


 Name: Sitah Okello
 Head of Finance
 ICPAK M/No
 Date:



**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE
2023**

Description	Accumulated surplus	Total
	Kshs.	Kshs.
Bal as at 1 July 2022	258,969,024	258,969,024
Surplus/(deficit) for the year	17,082,470	17,082,470
Funds received during the year	-	-
Balance as at 30 June 2023	276,051,494	276,051,494



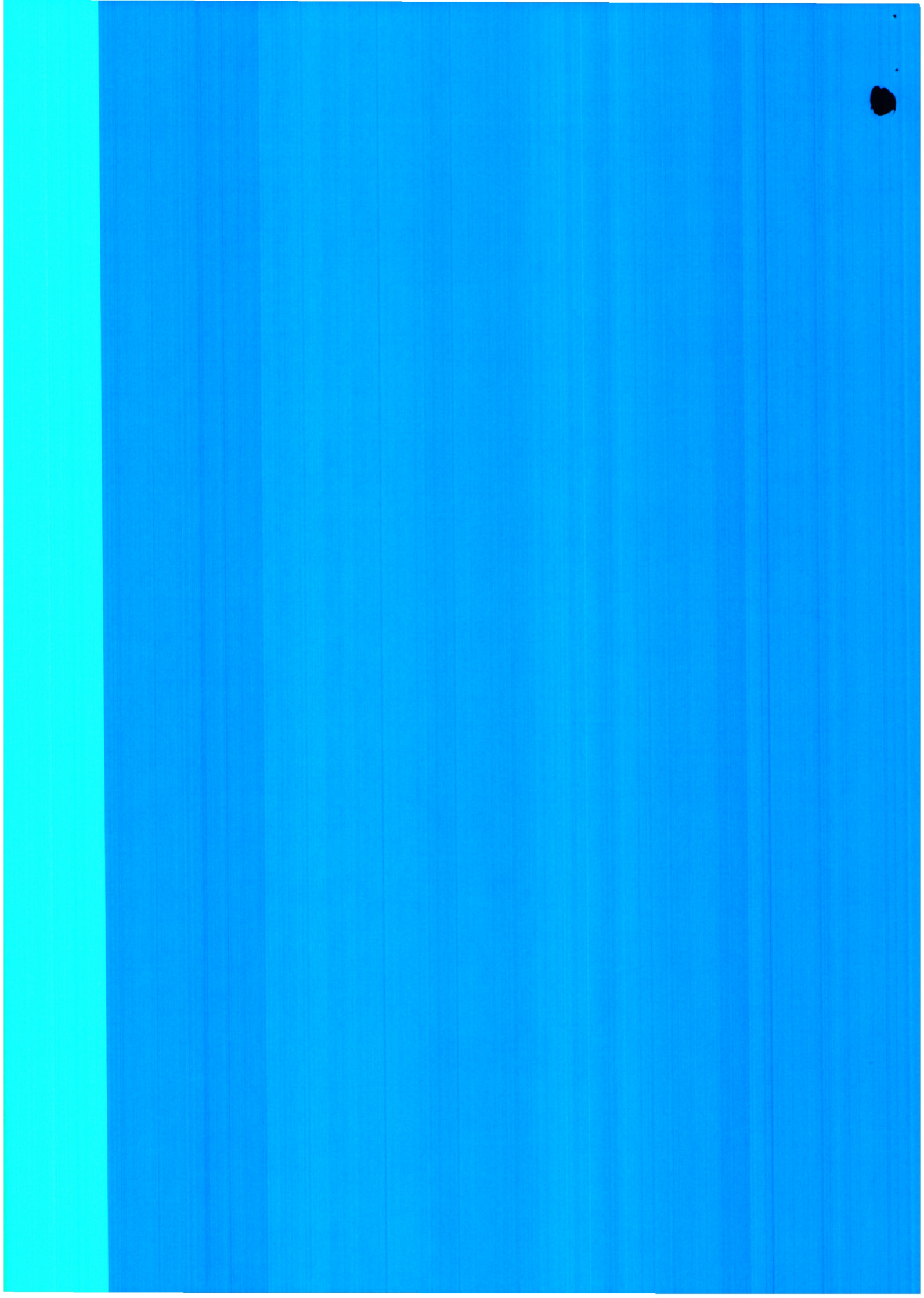
County Government of Homa Bay

Municipality of Homa Bay

Annual Report and Financial Statements for the year ended June 30, 2023

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	6	3,500,000	19,694,360
Public contributions and donations	8	-	70,694,360
Total Receipts		3,500,000	89,869,661
Payments			
Use of goods and services	9	2,693,632	24,726,209
Staff costs	10	145,000	188,000
Board expenses	11	735,000	-
Total Payments		(3,573,632)	(24,914,209)
Net cash flows from operating activities		(73,632)	64,955,452
Cash flows from investing activities			
Roads Construction – Absa Bank to St Paul’s Hospital	13	54,295,675	38,190,499
Purchase of Furniture and Fittings	13	80,000	
Net cash flows used in investing activities		(54,375,675)	(48,373,257)
Net increase/(decrease) in cash & cash equivalents		(54,449,307)	16,582,195
Cash And Cash Equivalents At 1 July 2022	12	57,835,913	41,066,266
Prior Year Adjustments		-	187,452
Cash And Cash Equivalents At 30 June 2023		3,386,606	57,835,913

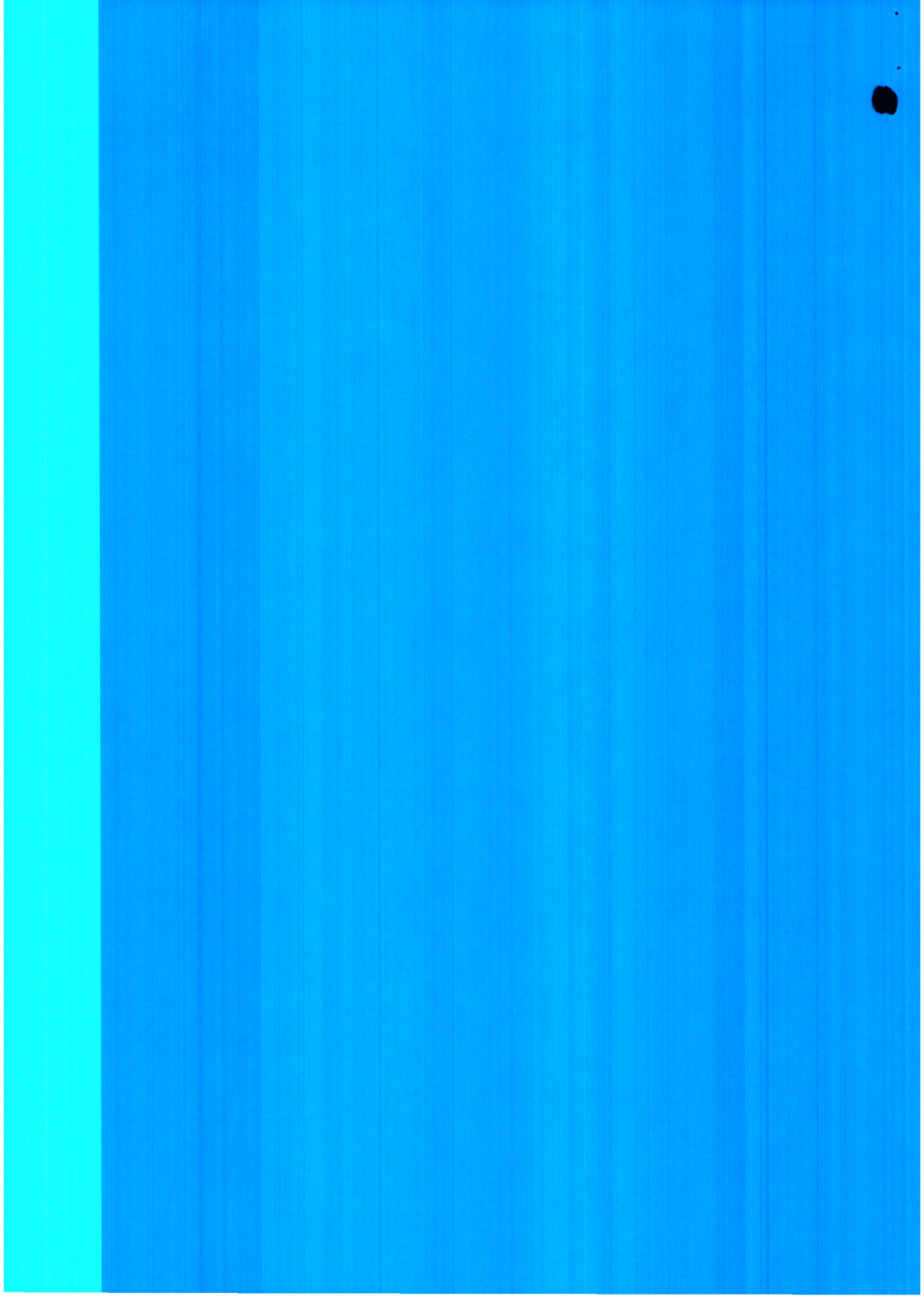


18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		Kshs.	Kshs.	Kshs.	Kshs.	
Transfers from the County Government	134,679,607	(77,084,928)	57,594,679	22,281,737	35,312,942	61.31%
Total Revenue	134,679,607	(77,084,928)	57,594,679	22,281,737	35,312,942	61.31%
Expenses						
Use of goods and services	8,233,269	(4,369,669)	3,863,600	4,049,167	(185,567)	-4.58%
Board expenses	5,550,000	(2,579,055)	2,970,935	1,005,100	1,965,835	195.58%
Staff Costs	18,451,029	2,684,332	21,135,361	145,000	20,990,361	99.31%
Total Expenditure	32,234,298	(4,264,392)	27,969,896	5,199,267	22,770,629	81.41%
Surplus for the period				17,082,470		
Capital Expenditure	102,445,309	(72,820,526)	29,624,783	71,531,777		77.86%

Budget notes

- The reduction in budget was due to reallocation of funds to other departments by County Assembly
- The capital expenditure is inclusive of additions to roads and infrastructure of kshs 54,295,675 funded from amounts rolled over from the previous year 2021/2022 budget



19. Notes to the Financial Statements

1. General Information

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

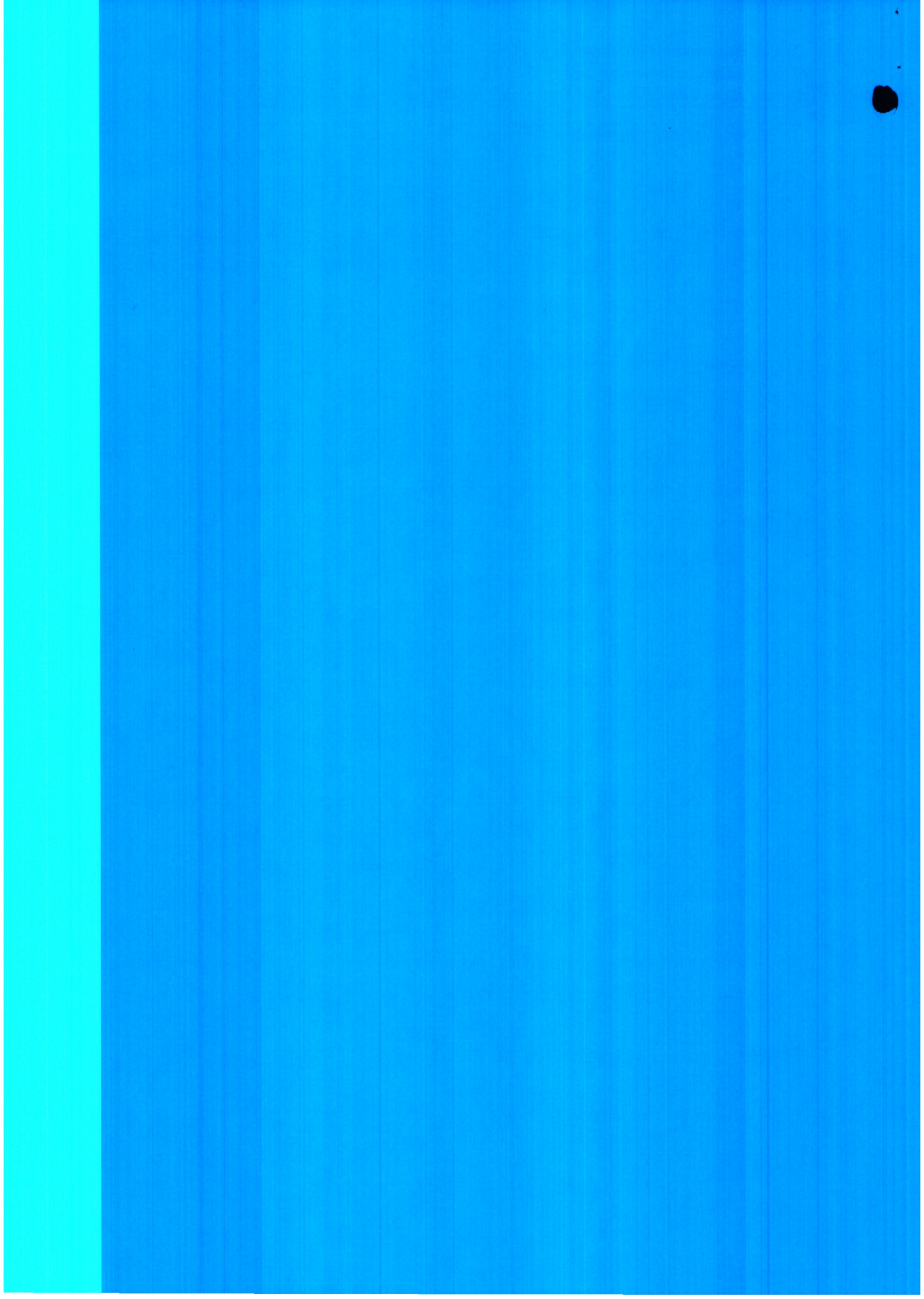
The Municipality's principal activity is include:

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

2. Statement of Compliance and Basis of Preparation

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

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

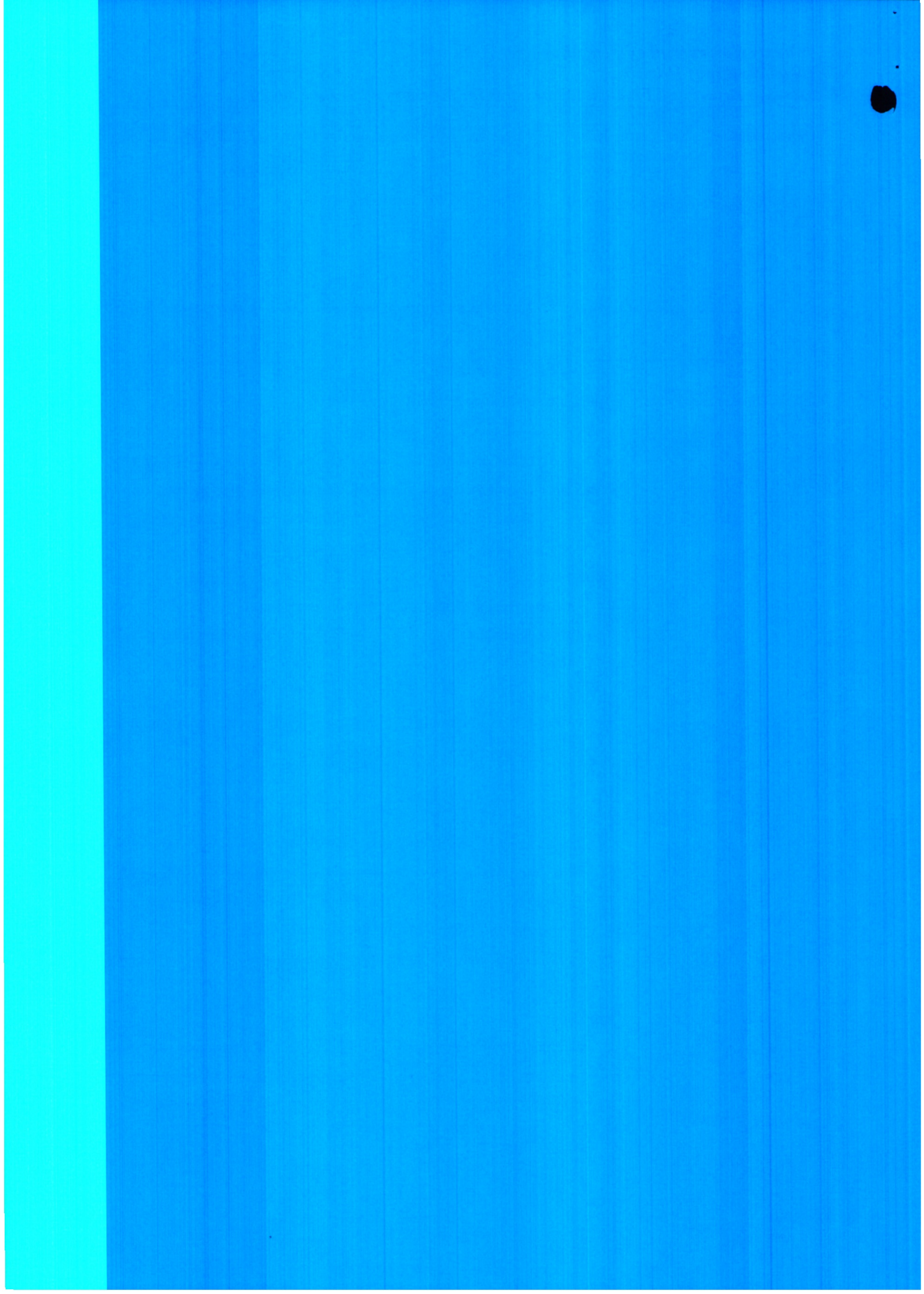


The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

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

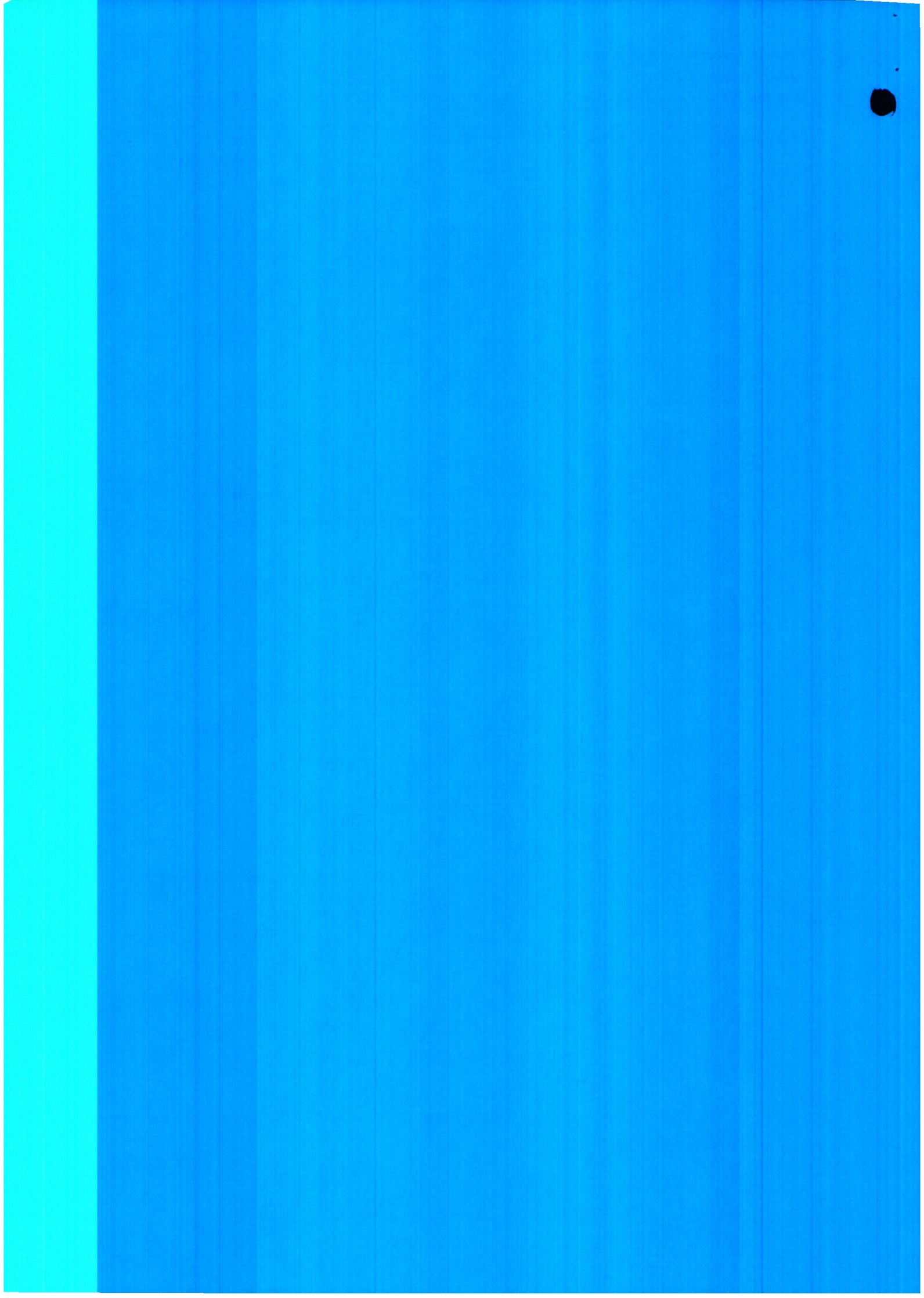
Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none">• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The</p>



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

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

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



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

iii. Early adoption of standards

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

(Notes to financial statements continued)

V. 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 and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on May 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The Municipality upon receiving the respective approvals in order to conclude the final budget adds the additional appropriations to the original budget. Accordingly, the Municipality recorded reductions in appropriations of KES 77,084,928 on May 2023 following the governing body's approval.

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

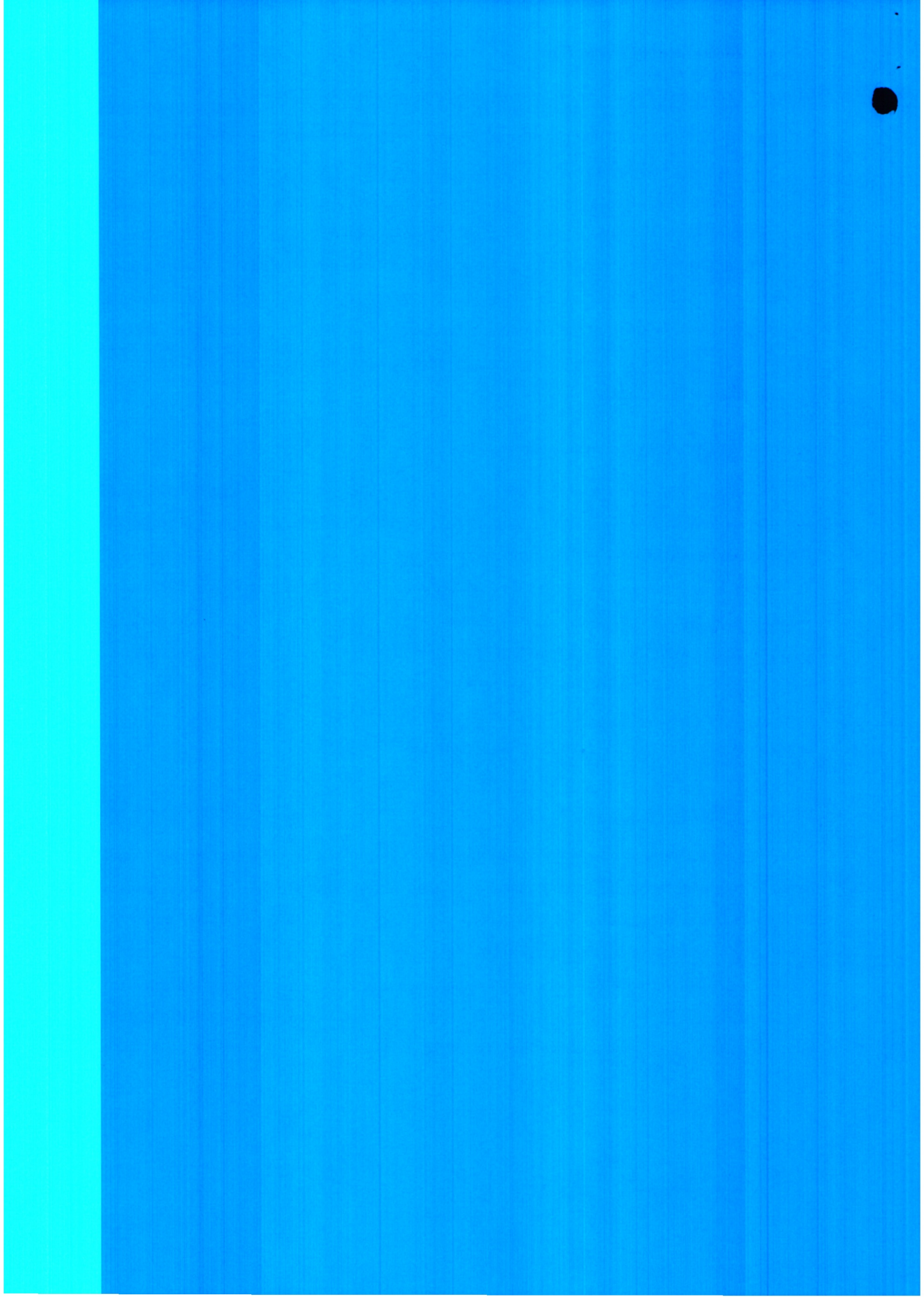
using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13 of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Municipality recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Intangible assets

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



(Significant accounting policies continued)

e) Financial instruments

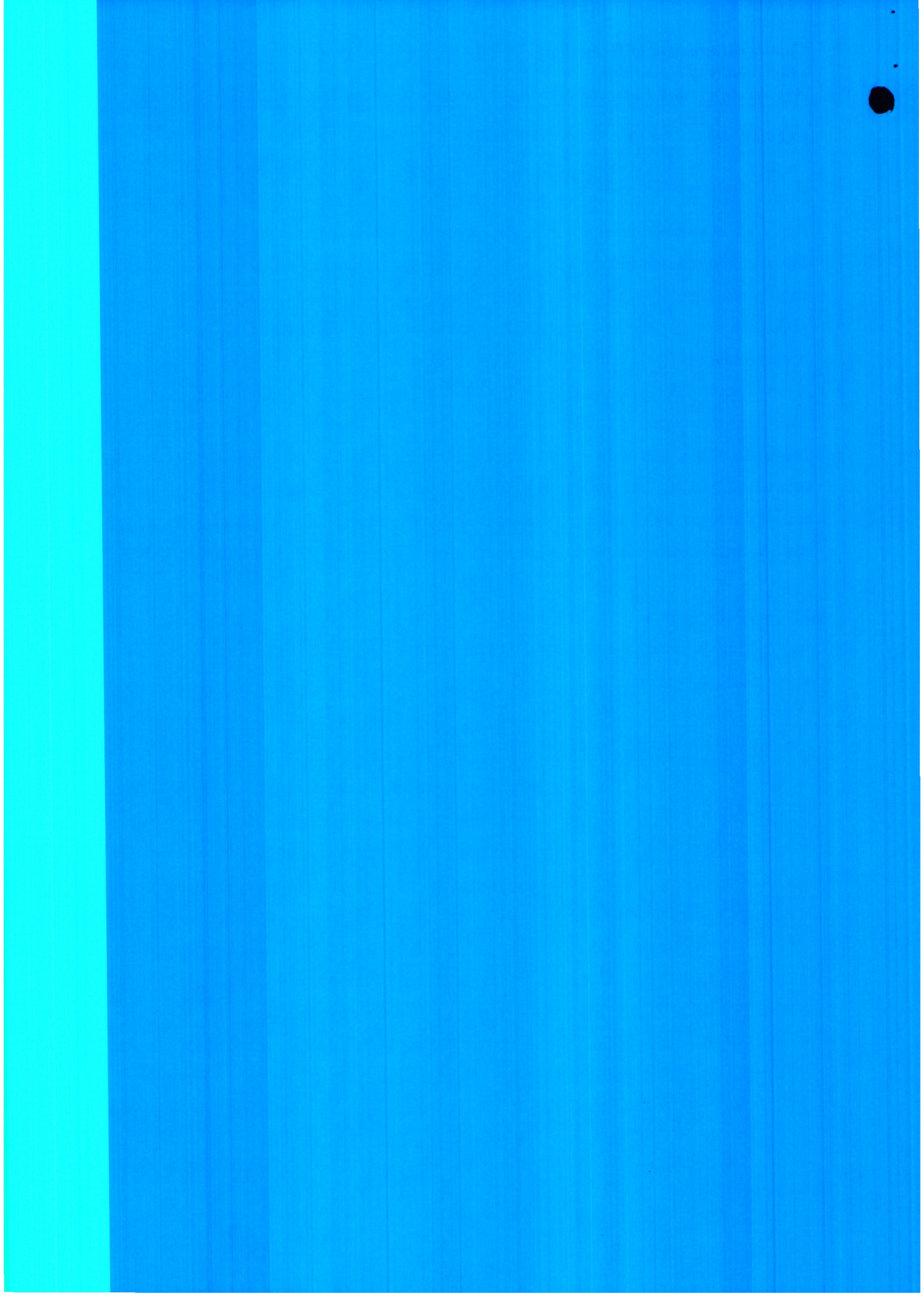
IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules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

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

Financial assets

Classification of financial assets

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



(Significant accounting policies continued)

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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



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

(Significant accounting policies continued)

Impairment

The Municipality assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 13*.

Financial liabilities

Classification

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

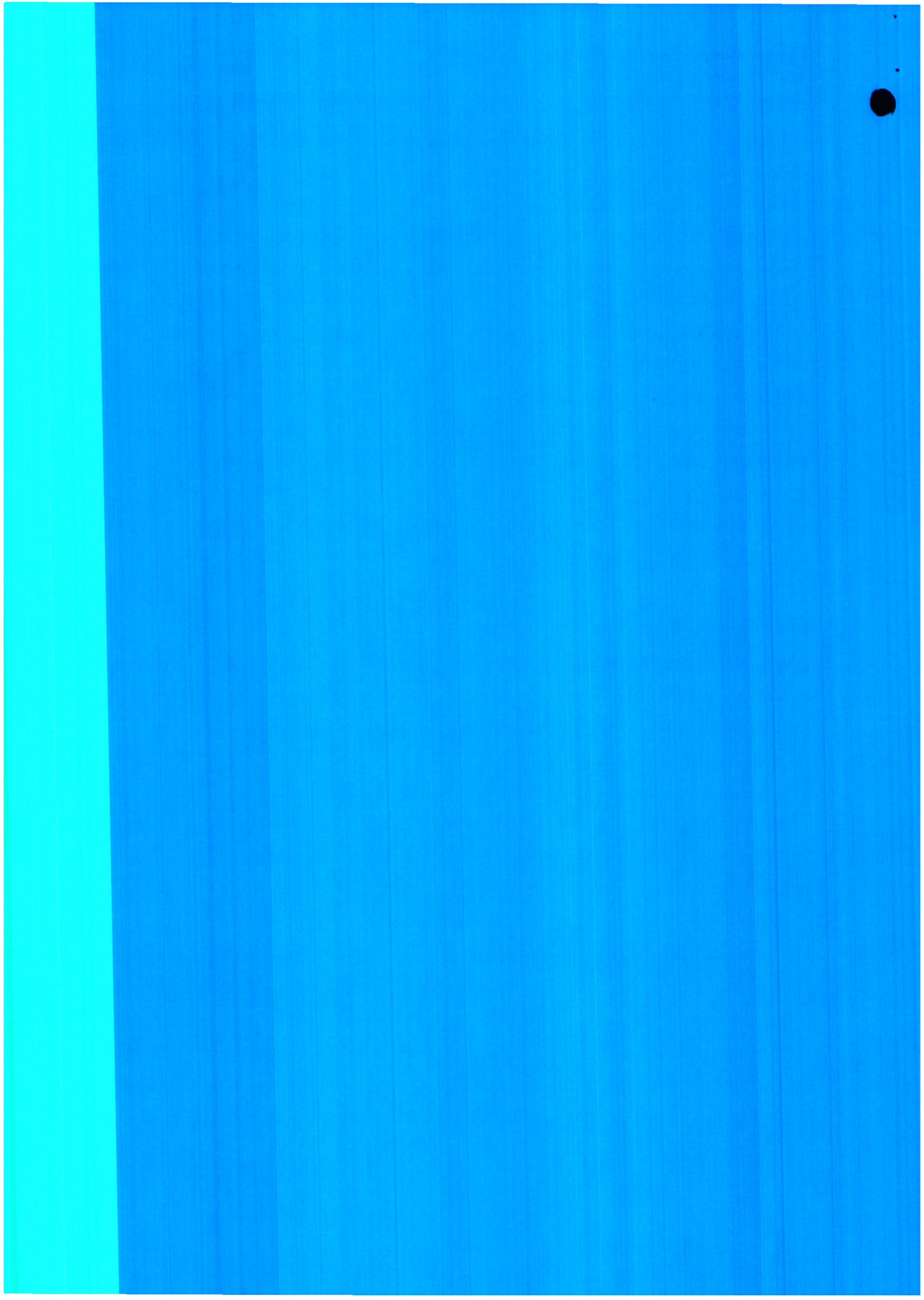
f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

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

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



(Significant accounting policies continued)

g) Provisions

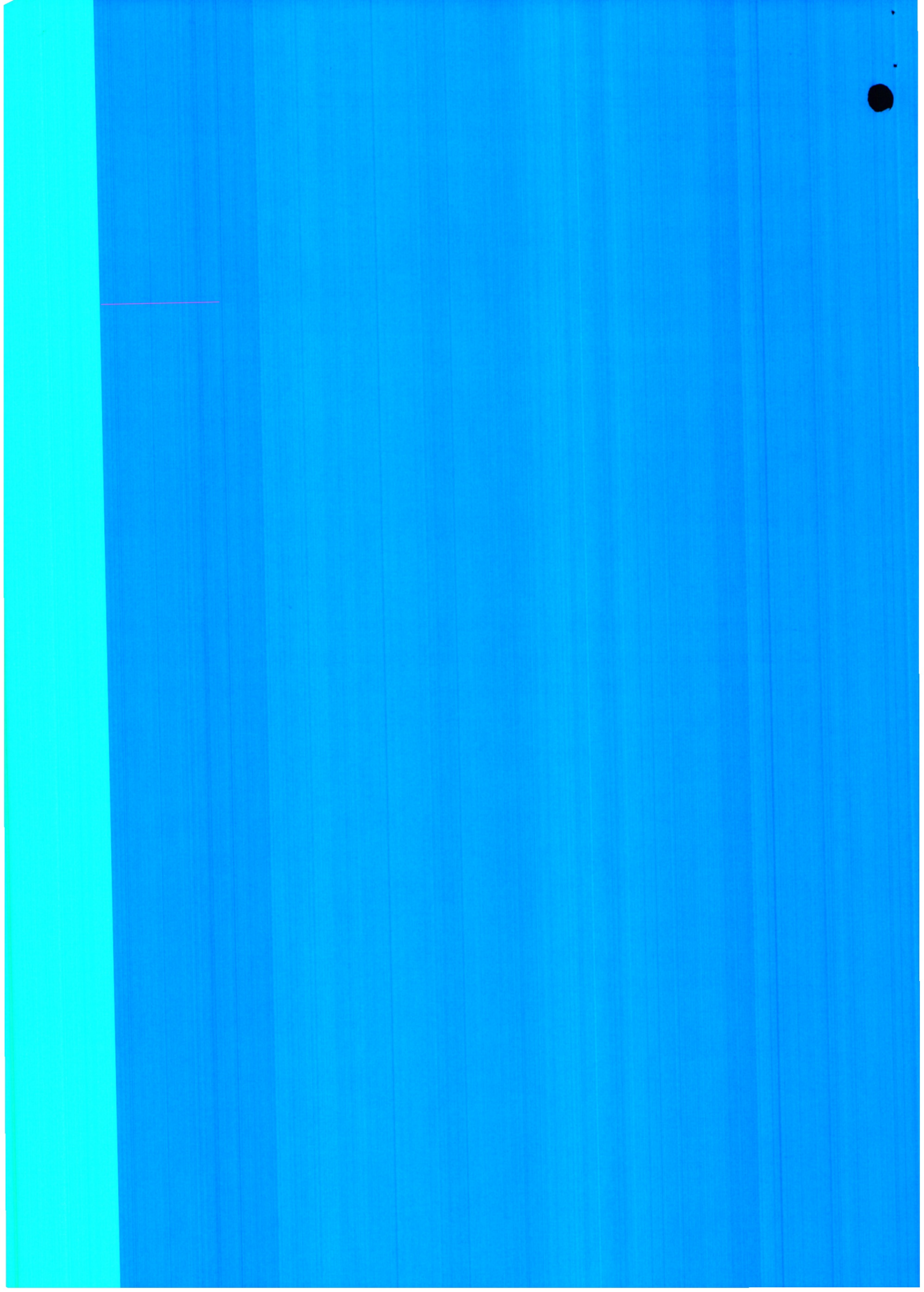
Provisions are recognized when the Municipality has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the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

h) Social Benefits

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

i) Contingent liabilities

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



(Significant accounting policies continued)

j) Contingent assets

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

k) Nature and purpose of reserves

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

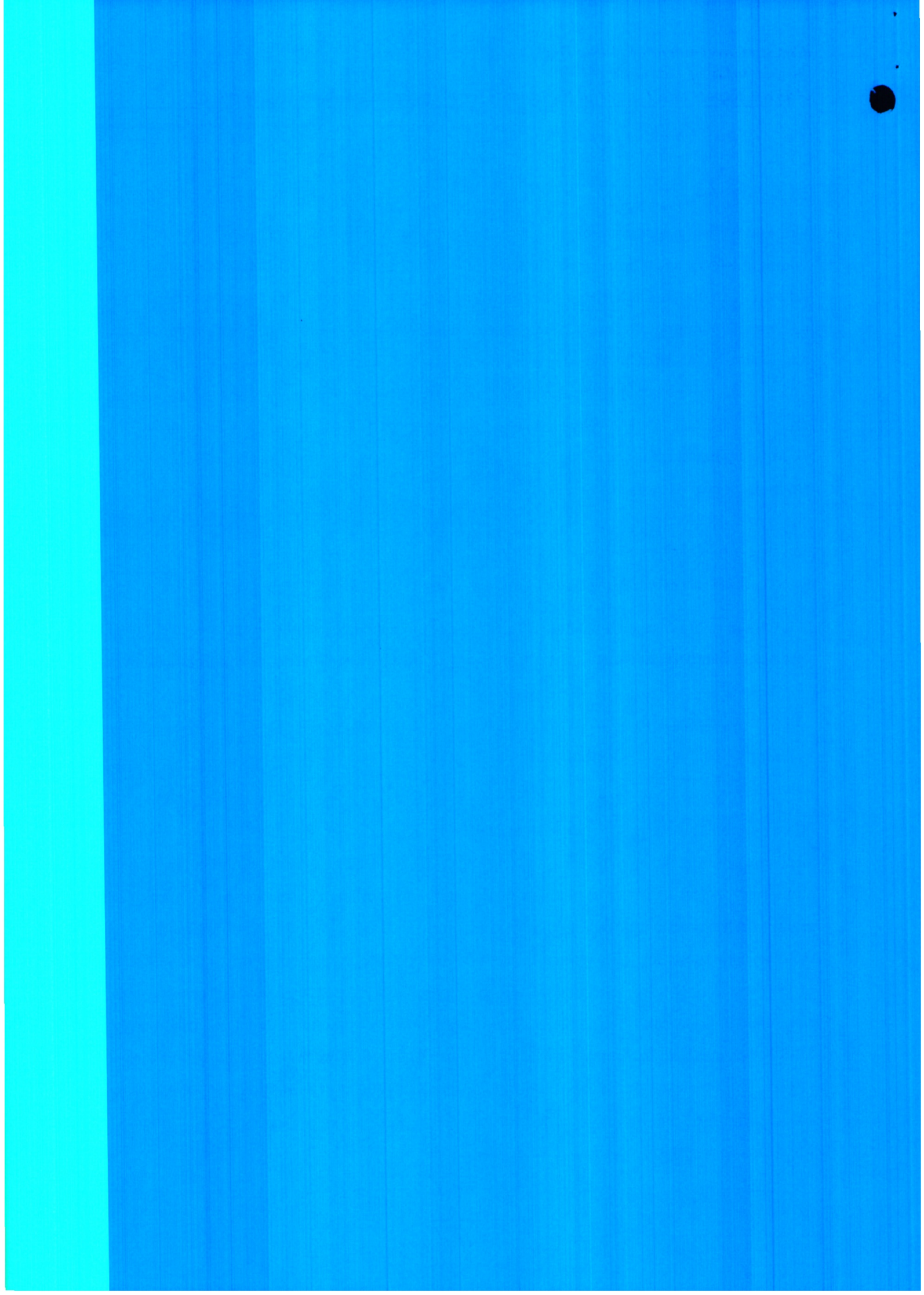
l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

(Significant accounting policies continued)



n) Foreign currency transactions

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

o) Borrowing costs

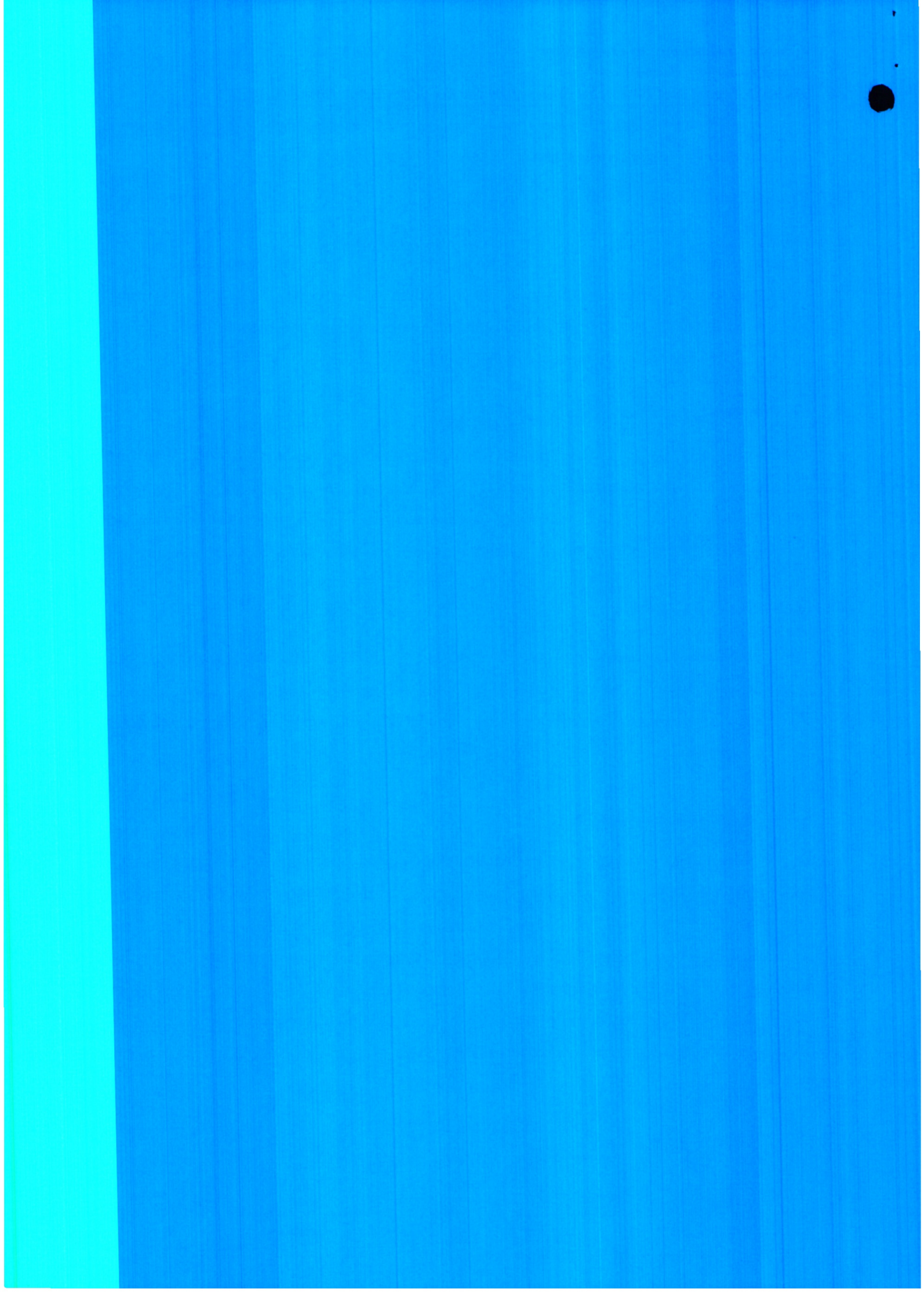
Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete.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

p) Related parties

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

q) Cash and cash equivalents

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



(Significant accounting policies continued)

r) Comparative figures

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

s) Events after the reporting period

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

Two types of events can be identified:

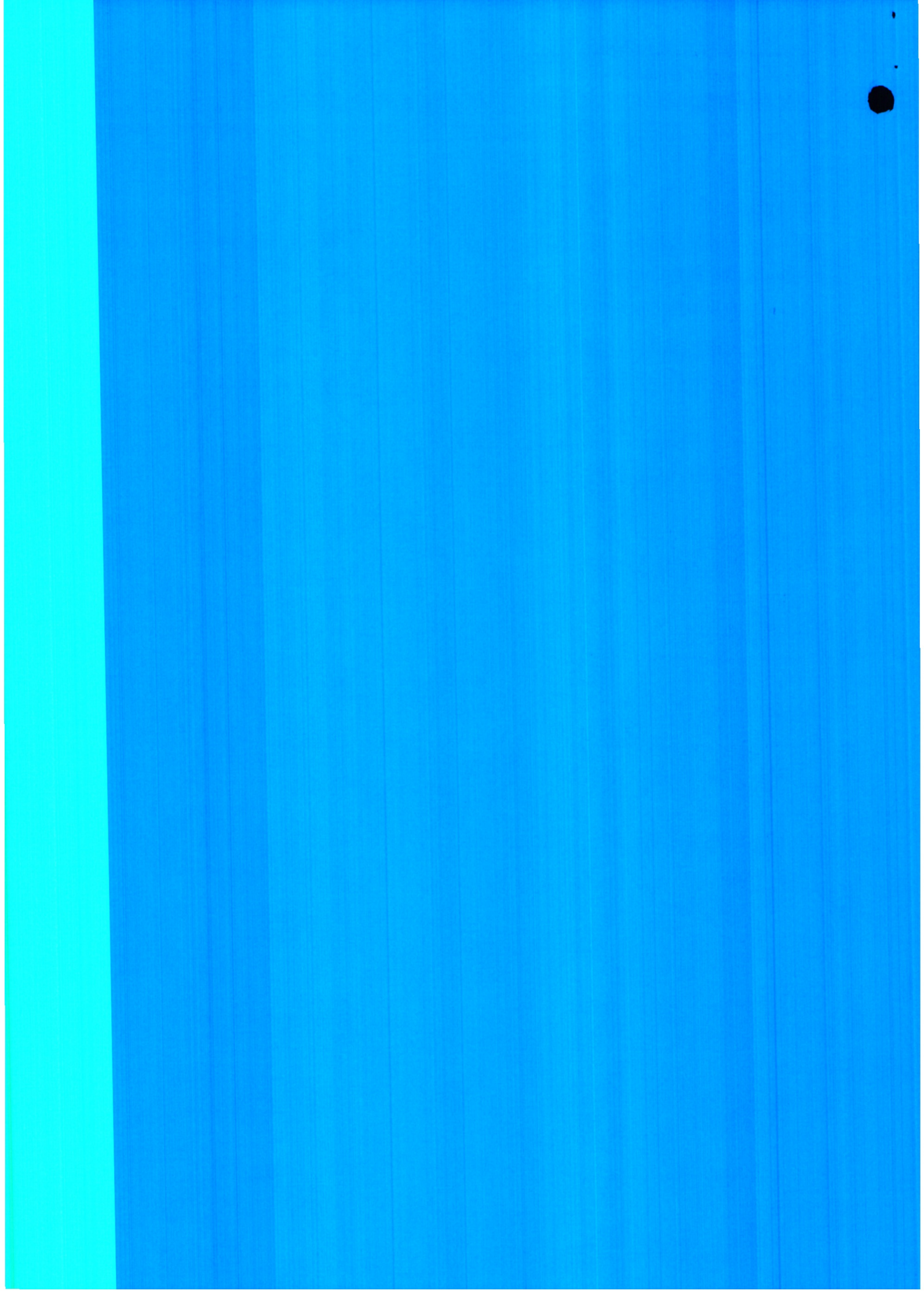
(a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

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

There were no material adjusting and non- adjusting events after the reporting period.

t) Currency

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



VI. Significant judgments and sources of estimation uncertainty

The preparation of the Municipality's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made.

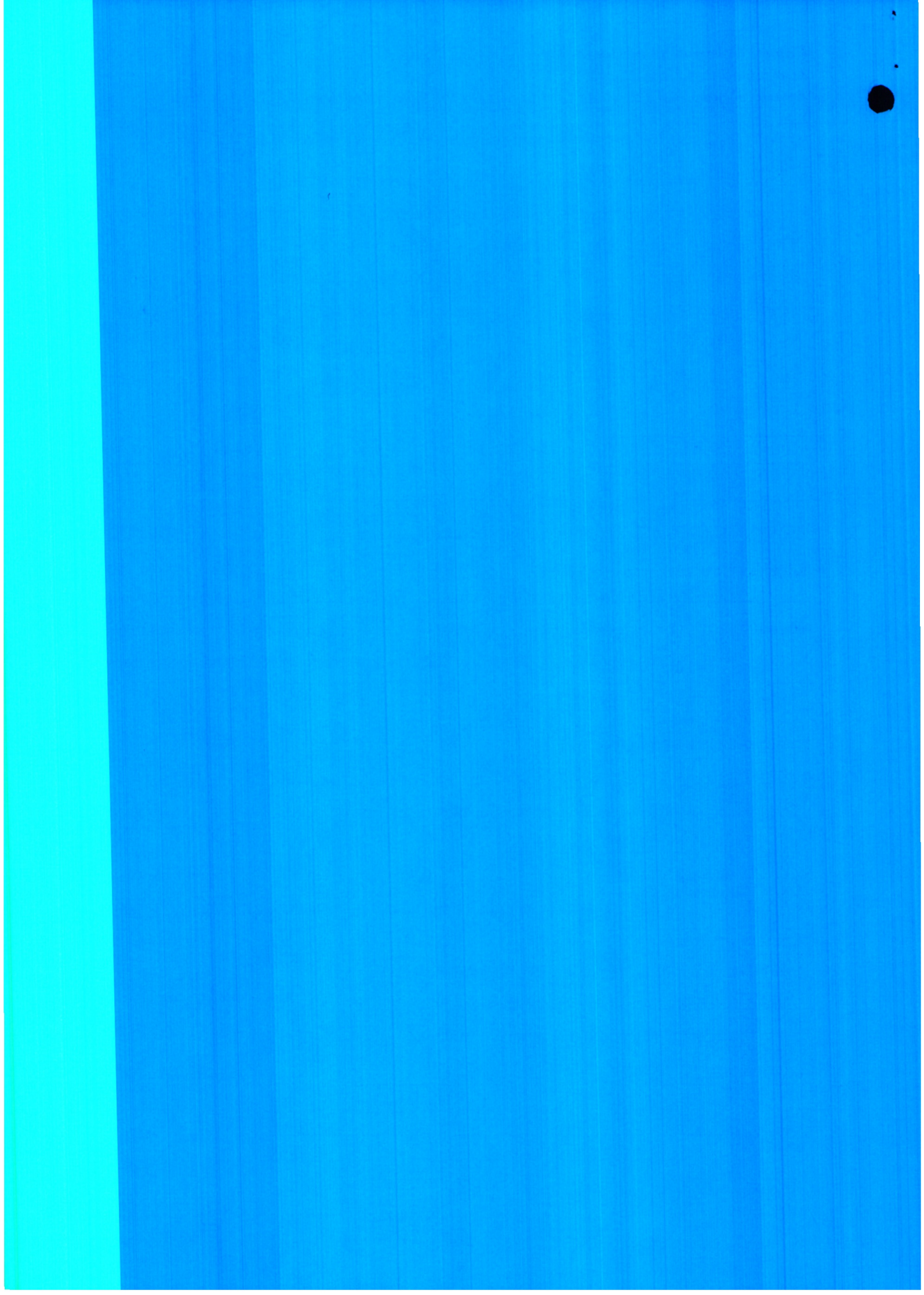
Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Municipality based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the 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.



Notes to the Financial Statements

6. Transfers from the County Government

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	3,500,000	19,694,360
Total	3,500,000	19,694,360

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

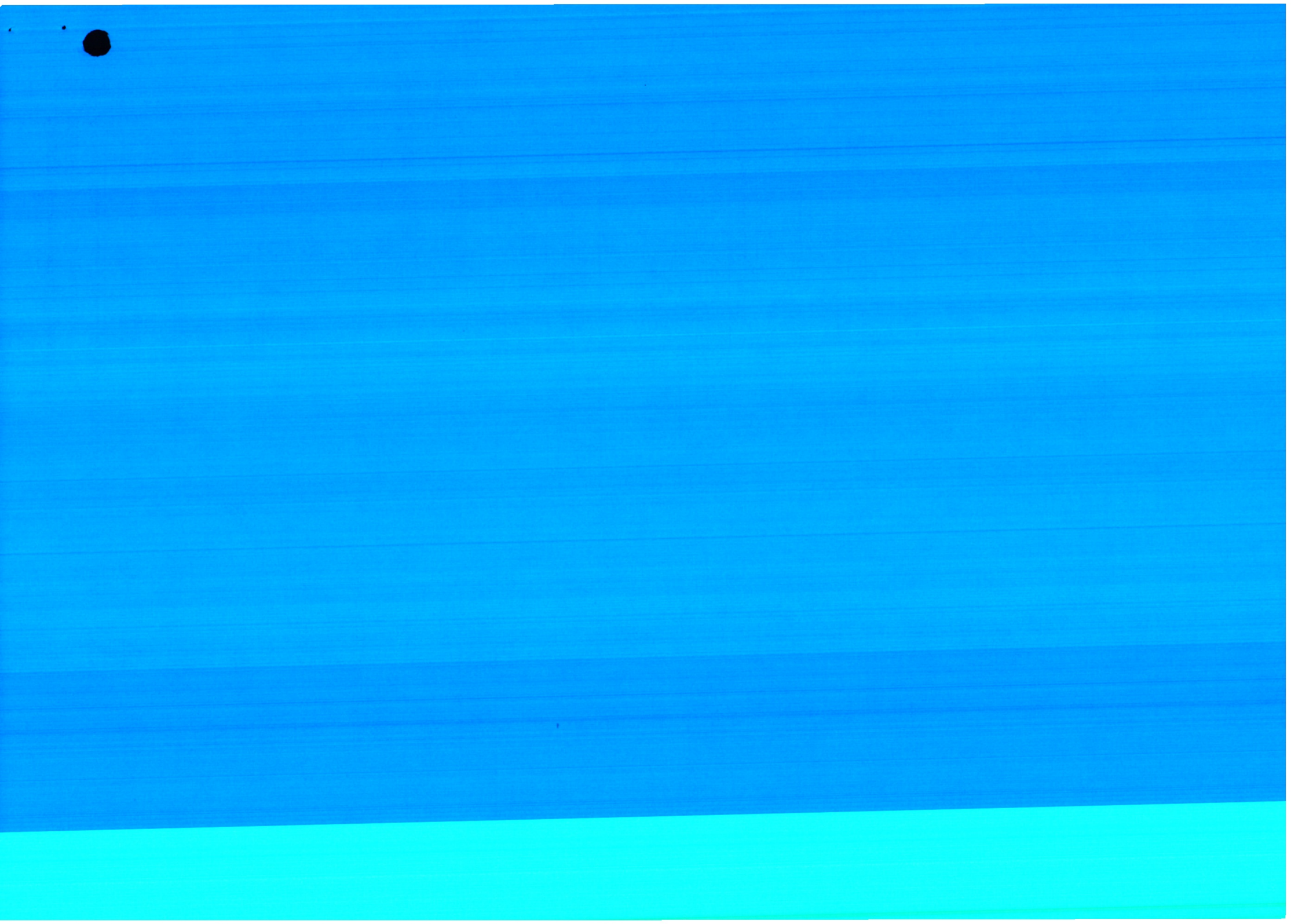
Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Payments	2,125,635	-
Development Payments	16,656,102	-
Total	18,781,737	-

8. Public Contributions and Donations

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Donation from development partners	-	70,175,301
Total	-	70,175,301

9. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	145,000	-
Communication, supplies and services	140,000	-
Domestic travel and subsistence	623,600	-
Printing, advertising, supplies & services	42,074	1,152,200
Training expenses	30,000	11,000,000
Hospitality supplies and services	171,000	9,249,240
Office and general supplies and services	362,976	287,000
Fuel, oil and lubricants	59,000	217,400
Other operating expenses (<i>Newspapers, Security, uniforms, gas refill</i>)	165,500	-
Consultancy	-	2,806,539
Routine maintenance – other assets	216,000	-
Stationary	613,500	-



County Government of Homa Bay
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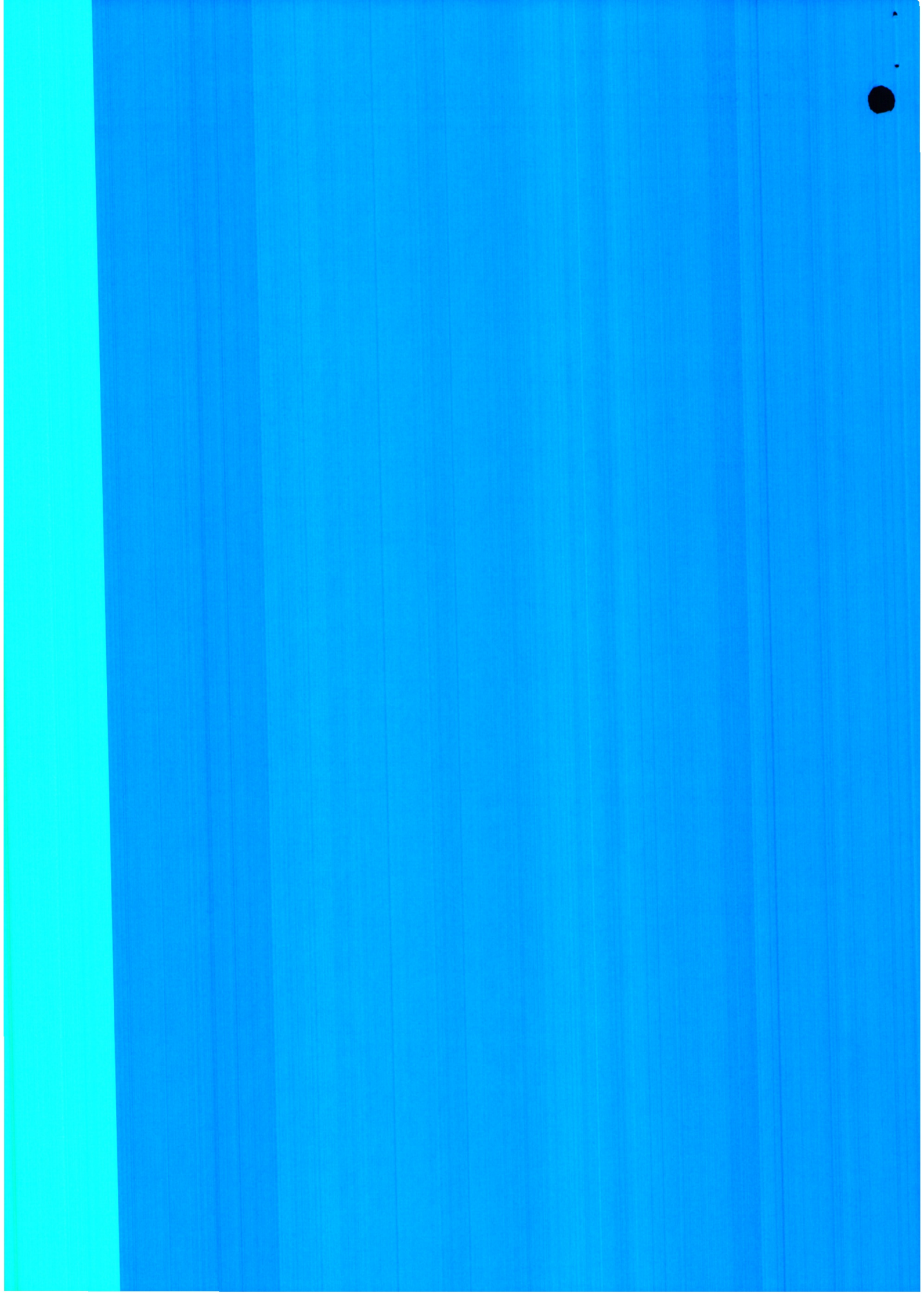
Description	2022/2023	2021/2022
	Kshs.	Kshs.
Hire of Transport, equipment etc	115,000	-
Bank Charges	9,982	13,830
Sub Total	2,693,632	24,726,209
Direct Payments Government		
Domestic travel and subsistence	628,535	-
Office and general supplies and services	227,000	-
Fuel	236,000	-
Stationary	264,000	-
Sub Total	1,355,535	-
Total Use of goods	4,049,167	24,726,209

10. Staff costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Casual Wages	145,000	188,000
Total	145,000	188,000

11. Board expenses

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Sitting allowances	735,000	-
Sub Total		
Direct Payments by County Government		
Sitting Allowances	118,800	-
Conference Costs	151,300	-
Sub Total	270,100	
Total board expenses	1,005,100	-

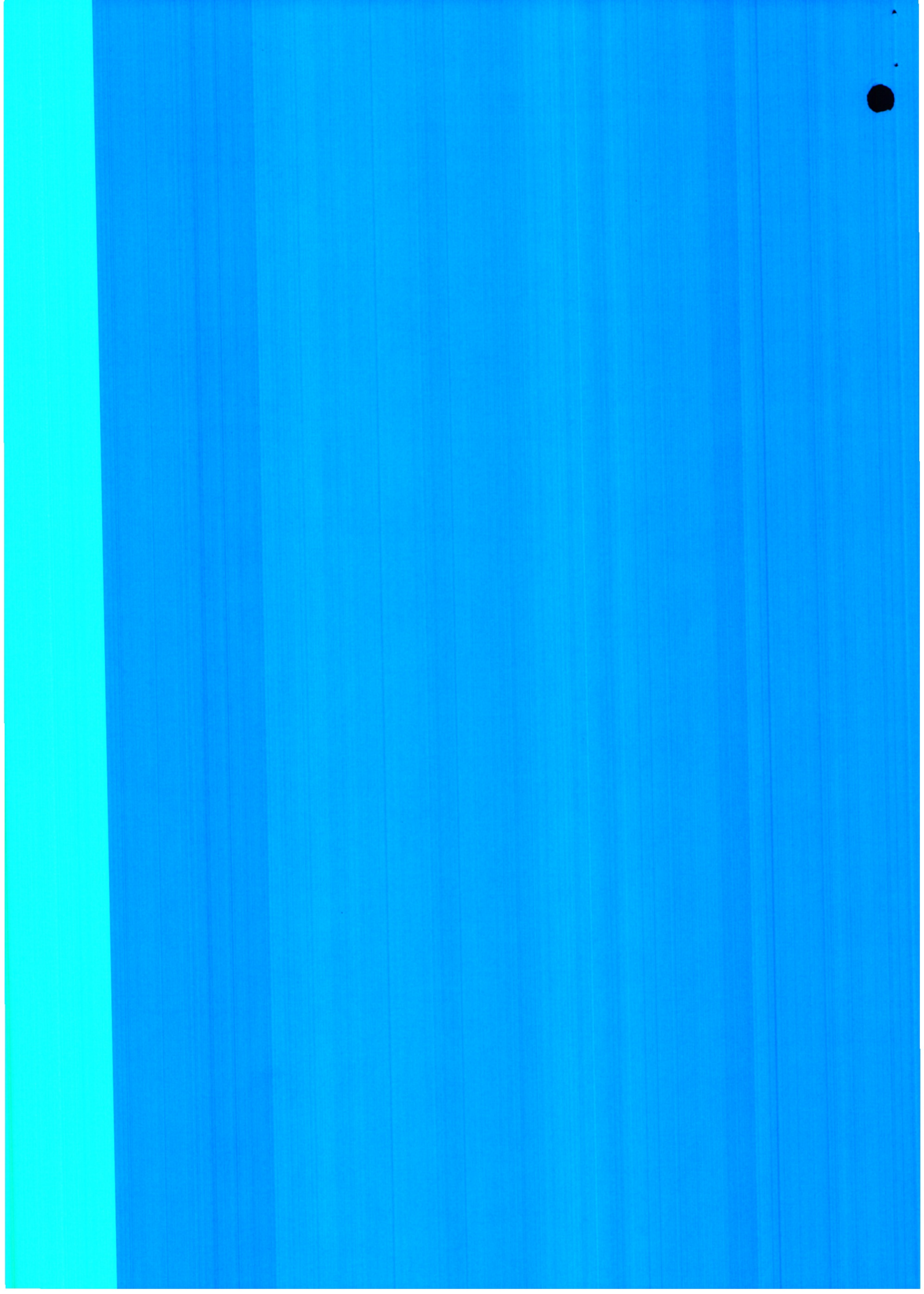


12. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Current account	3,386,606	57,835,913
Total cash and cash equivalents	3,386,606	57,835,913

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

Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
a) Current account			
Kenya Commercial bank Acc 1247953181		3,385,846	57,686,153
Equity Bank Acc 0980279269135		760	149,760
Grand total		3,386,606	57,835,913



(Notes to the Financial Statements Continued)

13. Property, Plant and Equipment

Description	Land & Buildings	Roads & Infrastructure	Furniture and Fittings	Total
	Shs	Shs		Shs
As at 30 th June 2021	152,759,854	-	-	152,759,854
Additions	10,182,758	38,190,499	-	48,373,257
As at 30 th June 2022	162,942,612	38,190,499	-	201,133,111
As at 1 July 2022	162,942,612	38,190,499	-	201,133,111
Additions	16,656,102	54,295,675	580,000	71,531,777
Disposals	-	-	-	-
As at 30 th June 2023	179,598,714	92,486,174	580,000	272,664,888
Depreciation and impairment				
NBV as at 30 th June 2022	162,942,612	38,190,499	-	201,133,111
NBV as at 30 th June 2023	179,598,714	92,486,174	580,000	272,664,888



Notes to the Financial Statements

6. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from related parties'	3,500,000	694,360
Direct Payments by the County Government	18,781,737	-



Notes to the Financial Statements

7. Financial risk management

The Municipality's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Municipality's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Municipality does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

I. Credit risk

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

II. Market risk

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

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



Notes to the Financial Statements

III. Capital risk management.

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revaluation reserve	0	0
Capital/Development Grants/City/Municipality	0	0
Accumulated surplus	0	0
Total Funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0%	0%



20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Expenditure on Consultancy Services	The file is now available and can be reviewed by the auditor at any time	Not Resolved	30/12/2023
2	Unsupported Prior Year Adjustments	The adjustment was due to correction of errors in the previous year financial statements that had not been corrected. The errors have now been corrected.	Resolved	
3	Budgetary Control and Performance	Underfunding is due to late disbursement of funds from the National Treasury		

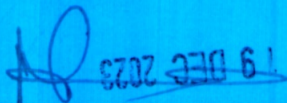


County Government of Homa Bay

Municipality of Homa Bay

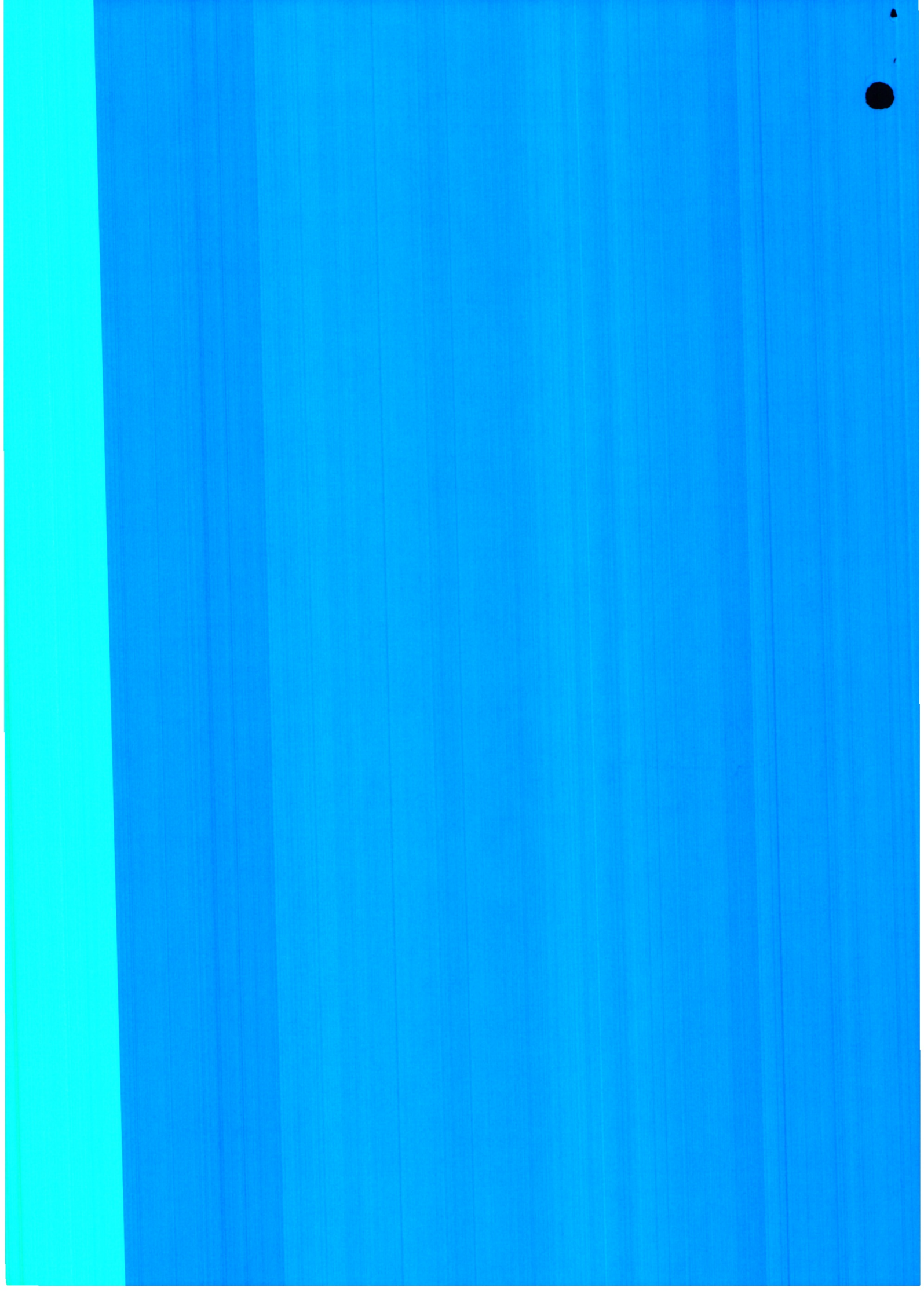
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4	Delayed Completion in Construction of roads	The road has now been completed, handed over and in use. Handing over documents and practical completion certificate are available for the auditors review at any time.	Resolved	



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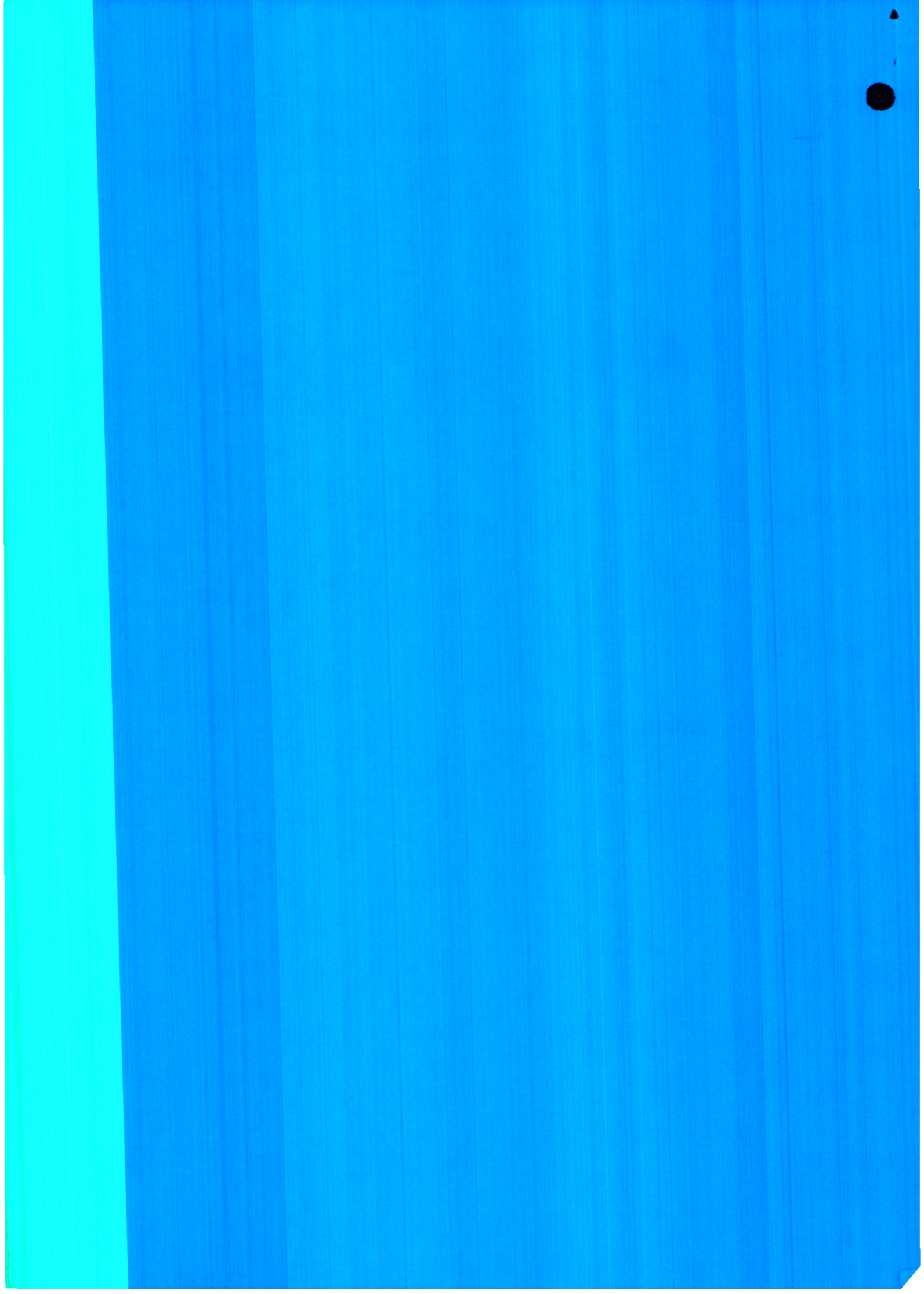
Municipal Manager



**County Government of Homa Bay
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Appendix 1: Inter Entity Transfers

HOMA BAY MUNICIPALITY					
Breakdown of Transfers from the County Executive of Homa Bay County					
FY 2022/2023					
a. Recurrent Grants		<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>	
	Homa Bay County Treasury transfer for operations	29/9/2022	1,000,000	2022/2023	
	Homa Bay County Treasury transfer for operations	31/10/2022	1,000,0000	2022/2023	
	Homa Bay County Treasury transfer for operations	21/12/2022	1,000,000	2022/2023	
	Homa Bay County Treasury transfer for operations	31/1/2023	500,000	2022/2023	
	Total		3,500,000		
b. Development Grants		<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>	
c. Direct Payments		<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>	
1	254 Concrete Ltd	27/2/2023	5,243,477	2022/2023	
2	Okesa Contractors Ltd	8/3/2023	1,336,320	2022/2023	
3	Waaso Construction Ltd	30/6/2023	7,500,000	2022/2023	
4	254 Concrete Ltd	8/3/2023	2,576,305	2022/2023	
	Total Development		16,656,102	2022/2023	
5	Enock Oketch	15/6/2023	21,600	2022/2023	
6	Charles Obondo	29/5/2023	60,400	2022/2023	
7	Crisencia Achieng	7/6/2023	151,300	2022/2023	
8	Horace Okoth	14/4/2023	25,200	2022/2023	
9	Thomas Odipo	14/4/2023	75,935	2022/2023	



**County Government of Homa Bay
Municipality of Homa Bay**

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HOMA BAY MUNICIPALITY						
		14/4/2023	50,000		2022/2023	
10	Baspol Enterprises					
11	Baspol Enterprises	15/6/2023	177,000		2022/2023	
12	Estudio Camouflage	15/6/2023	500,000		2022/2023	
13	Charles Omondi Obondo	15/6/2023	60,400		2022/2023	
14	Thomas Odipo Owino	15/6/2023	82,400		2022/2023	
15	Horace Okoth	15/6/2023	35,600		2022/2023	
16	Crisencia Achieng	15/6/2023	118,800		2022/2023	
17	Enock Oketch	15/6/2023	21,600		2022/2023	
18	Thomas Odipo	15/6/2023	106,000		2022/2023	
19	Thomas Odipo	15/6/2023	53,600		2022/2023	
20	Thomas Odipo	15/6/2023	37,800		2022/2023	
21	Thomas Odipo	15/6/2023	48,000		2022/2023	
22	Estudio Camouflage Ltd	8/3/2023	264,000		2022/2023	
23	Zam Zam Petrol Station	8/3/2023	236,000		2022/2023	
	Total Operations		2,125,635			

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

