

REPUBLIC OF KENYA



*Enhancing Accountability*



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**REPORT**

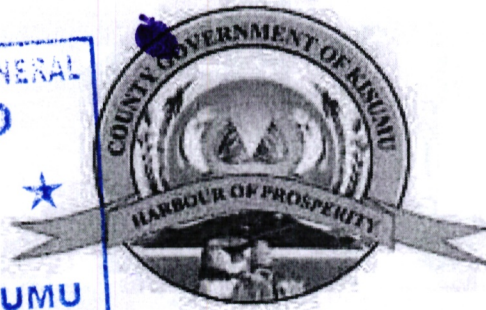
**OF**

**THE AUDITOR-GENERAL**

**ON**

**CITY OF KISUMU**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



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# **CITY OF KISUMU**

*County Government of Kisumu*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2022**

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

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## 1. Key Entity Information and Management

### a) Background information

City of Kisumu is under the County Government of Kisumu, domiciled Western part of Kenya. It is the third City out of the four Cities in Kenya. The City covers fourteen (14) wards out of the thirty-five (35) wards in Kisumu County. The City derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011

### b) Principal Activities

The City is Charged with the provision of public services to the residents in the areas of improved urban environment and natural resources management, organized and controlled land use, infrastructure and housing development, provision of social services, promotion of law and order, good governance, accountability and the rule of law within the City among others.

In performing the above activities, the City of Kisumu seeks to be the leading City in Kenya and entire Great Lakes Region in the provision of innovative Services that are responsive to customers' expectations.

The mission is to provide unequaled quality services matched by superior solutions that result into creation of an enabling environment for investment with an aim of improving the quality of life for the residents of Kisumu City.

The key objectives are

- i) To effectively and efficiently deliver essential services to its residents in respect to operational sectors and service delivery entities
- ii) To create a conducive business environment to its residents by providing adequate infrastructure, law and order, conducive working conditions and any other enabling factors required from time to time
- iii) To provide a healthy, clean and safe environment through proper management of waste and natural resources

### c) City/Municipality Board

Ref	Position	Name
1.	Chairman of the Board	Elijah Onyango Adul
2.	County Executive Committee Member responsible for Cities and Urban areas.	Salmon Okoth Orimba

3.	Vice Chairperson	Peris Nyaduse Ochola
4.	Board Member 1	Samuel Onyango Okello
5.	Board Member 2	Sagar Navichandra Shah
6.	Board Member 3	Prof Lawrence Otwenyo Gumbe
7.	Board Member 4	Kennedy Akoko
8.	Board member 5	Sheila Adhiambo Okal
9.	Board Member 6	John Omondi Ombija
10.	Board Member 7	Charles Owoko Ochome
11.	Board member 8	Farida Salim Ahmed
12.	Board Member 9	Rose Arungu Olende
13.	City/Municipality Manager	Michael Abala Wanga

**d) Key Management**

Ref	Position	Name
1	City Manager	Michael Abala Wanga
2	Director Human Resource Management	Beatrice Atieno Omollo
3	Head of City Engineering and Public Works	Moses Ochieng' Ogeda
4	Head of Partnerships and Resource Mobilization (Projects Coordinator)	Charles Ochieng' Omollo
5	Head of Finance	Peresia Omino
6	Head of Supply Chain Management	Carren Akoth Olwero
7	Head of ICT	Maurice Odhiambo Otieno
8	Director Markets, Trade and Enterprise Development	Bovince Ochieng'
9	Head of Inspectorate and Enforcement	Joannes Omondi Otiende
10	City Attorney	Mariella Awuor
11	City Planner	Judith Bala Aluoch
12	Head of Housing	Benard Ouma Ojwang'
13	Head of Environment, Climate Change and Natural Resources	Benard Otieno Ojwang'

14	Head of Public Health	Joshua Adongo Owino
15	Head of Social Services	Dorothy Adhiambo Onong'no
16	City Board Administrator	Evance Odwuor Alalah

**e) Fiduciary Oversight Arrangements**

- i) Audit and Risk Management Committee

Ref	Position	Name
1	Internal Auditor	Silvanus Odoyo

**f) Registered Offices**

P.O. Box 105-40100

City Hall Building -Court Road

off Jomo Kenyatta Highway

Kisumu, KENYA

**g) Contacts**

Telephone: (057) 2023812

Tel/Fax:202 3812

E-mail: [citymanagerkisumu@yahoo.com](mailto:citymanagerkisumu@yahoo.com)

Website: [city.kisumu.go.ke](http://city.kisumu.go.ke)

**h) Bankers**

1. EQUITY BANK(K) LTD -

KISUMU BRANCH

P.O BOX 7427-40100

KISUMU

2. SBM BANK(K) LTD

KISUMU BRANCH

P.O BOX 2989-40100

KISUMU

**i) Independent Auditor**

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084-00100

Nairobi, Kenya

**j) Principal Legal Adviser**




The County Attorney


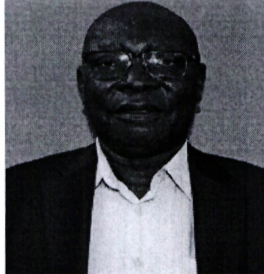

County Government of KISUMU




P.O. Box 2738-40100



KISUMU.

2. City/Municipality Board

Name	Details of qualifications and experience
<p>1. Board Member 1</p>  <p><i>Elijah Onyango Adul-Board chairperson</i></p>	<p><b>Date of Birth</b> 12/04/1949</p> <p><b>Academic Qualification</b> B.COM University of Nairobi</p> <p><b>Experience</b> 1982-1996 Chief Manager, Marketing &amp; public Relations Chairman City Board 2015 Board Member NHIF 2009 Chairman Bonde Secondary School</p>
 <p>Peris Ochola –Vice-Chairperson</p>	<p><b>Date of Birth:</b> Peris was born on 04/11/1957.</p> <p><b>Academic Qualification:</b> She is a research scientist, with a Master’s degree in Analytical Chemistry</p> <p><b>Experience:</b> Has over 30 years’ experience in the sugar Industry. She currently heads Milling and Processing Department at Kenya Sugar Research Foundation (currently KALRO-Sugar Research Institute) Kisumu Kenya. She is the Vice- chairperson of the board and chairs the Board Business committee.</p>
 <p>Samuel Okello</p>	<p><b>Date of Birth:</b> Samuel Was born on 11/10/1958</p> <p><b>Academic Qualification:</b> Has extensive knowledge on management and leadership skills</p> <p><b>Experience:</b> The last Mayor with the defunct Kisumu Municipal He is also a board member of the rotary club Kenya and also sits in the board of The Alliance Francoise</p>

	<p>He, is a member of the planning &amp; infrastructure and finance, ICT and human resource committee.</p>
 <p>Farida Ahmed Salim</p>	<p><b>Date of Birth:</b> Farida was born on 05/12/74</p> <p><b>Academic Qualification:</b></p> <p>She's a graduate of Kenyatta University (B Ed Arts). She,s currently studying Masters in Project Planning and Management at the University of Nairobi.</p> <p><b>Experience:</b></p> <p>Served as a Lecturer at Kisumu Polytechnic from 1998 till September 2012. Nominated MCA at Kisumu County Assembly from 2013 to 2017. From 2018 - Director at Kisumu City Board. County Executive Committee Member for Roads and Public Worke.</p>
 <p>John Ombija</p>	<p><b>Date of Birth:</b> Born on 21/09/1952</p> <p><b>Academic Qualification:</b> John is a career teacher and educationist</p> <p><b>Experience:</b> he has over 35yrs in management of the Education sector. He is a member of several boards and is the chairperson of the legal and enforcement committee of the board.</p>
 <p>Rose Arungu-Olende</p>	<p><b>Date of Birth:</b> Rose was born on 19/10/1945</p> <p><b>Academic Qualification:</b> LL. B [Hons.] University of Nairobi, Kenya. Alliance Girls' High School for "O" and "A" level (1968) Cambridge School Certificates.</p> <p><b>Experience:</b></p> <p>Anti-Corruption and Good governance Training program for East Africa.</p> <p>Marquette University, Les Aspin Centre for Government, Washington, DC, USA.M.A. Liberal Studies (1995) Graduate School, City University of New York.</p> <p>She is a member of the legal and enforcement committee.</p>

 <p>Sheila Okal</p>	<p><b>Date of Birth:</b> Sheila was born on 27/08/1985</p> <p><b>Academic Qualification:</b> she holds a Bachelor of Arts (Sociology, with IT) Degree from Maseno University 2014, Diploma in Community Development studies from Premese Africa – Nairobi (2007) and Certificate in Early Childhood and community Development from the University of Nairobi (2011).</p> <p><b>Experience:</b> She is also the Chairperson of the Committee of Education and Social Services and a member of the following committee; Legal and Enforcement Committee, Audit Committee, Public Health and Environment and the Board Business Committee.</p>
 <p>Charlse Ochome</p>	<p><b>Date of Birth:</b> Charles Ochome was born 15<sup>th</sup> March 1958</p> <p><b>Academic Qualification:</b> Masters Degree from University of Salford Msc. M BBA Maseno University Bsc. Construction Technologist from Kenya Polytechnic</p> <p><b>Experience:</b> Worked as Senior Building Inspector with the MOWH upto 2020. Proprietor Golden Elites Schools in Kisumu and Siaya Board Member Ng’iya Girls National School. National Chairman, Kenya Private Schools Association He, s the chairperson of Finance, ICT, Trade and Human resource committee of the board.</p>
	<p><b>Date of Birth:</b> Lawrence Gumbe was born on 28/07/57.</p> <p><b>Academic Qualification:</b> He holds a Bachelor’s of Science Degree in Agricultural engineering and has a Doctor of Philosophy in Engineering from Ohia State University.</p>

<p>Prof Lawrence Gumbe</p>	<p><b>Experience:</b> He is the chairperson of the planning and infrastructure committee of the board.</p>
 <p>Kennedy Akoko</p>	<p><b>Date of Birth:</b> He was born on 22/08/76</p> <p><b>Academic Qualification:</b> Has extensive knowledge on management and leadership skills</p> <p><b>Experience:</b> He, s the chairperson of public health and Environment committee of the board.</p>
 <p>Sagar Shah</p>	<p><b>Date of Birth:</b> He was born on 23/03/82</p> <p><b>Academic Qualification:</b> He has Bachelor of Accounting &amp; Management, Master of International Business Graduate &amp; ACCA with high sense of responsibility, leadership qualities, problem solving and communication skills, working as an executive Director with a number of companies which are part of the family business.</p> <p>JANUARY 2012-APRIL 2012: CERTIFICATE OF PROFICIENCY IN INSURANCE. JULY 2004-NOVEMBER 2005: Monash University, Melbourne, Australia. Master of International Business.</p> <p>SEPTEMBER 2000-JULY 2003: Cardiff University, Cardiff, UK. Bsc Econ Accounting and Management SEPTEMBER 1998-JULY 2000: Premier Academy, Nairobi, Kenya. 3 A-Levels: Accounting (A), Economics (B), Mathematics (B).</p> <p><b>Experience:</b> He, s the chairperson of Audit committee of the board.</p>

Michael Abala Wanga










**Date of Birth:** Born on 8<sup>th</sup> August 1969, Mr.




**Academic Qualification:** He holds Master's degree in Business Administration and Bachelor's degree in Law.



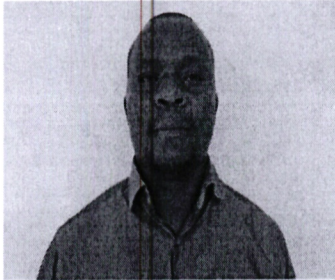

**Experience:** He joined Civil service in 1993 having originally trained as Laboratory Scientist, a line he left and joined Administration and Management for the last 10 years. He is the Acting City manager and Accounting Officer of the City.

### 3. Management Team

Name	Details of qualifications and experience
<p>1. Manager 1: Michael Abala Wanga</p> 	<p><b>Date of Birth:</b> Born on 8<sup>th</sup> August 1969,</p> <p><b>Academic Qualification:</b> Mr. Abala holds Master’s degree in Business Administration and Bachelor’s degree in Law.</p> <p><b>Experience:</b> He joined Civil service in 1993 having originally trained as Laboratory Scientist, a line he left and joined Administration and Management for the last .... years. He is the Acting City manager and Accounting Officer of the City.</p>
<p>2. Beatrice Atieno Omollo</p> 	<p><b>Date of Birth:</b> Born on 8<sup>th</sup> August 1979.</p> <p><b>Academic Qualification:</b> Beatrice holds Master’s degree in Business Administration (MBA), Bachelor’s degree in Business Management (BBM) and Higher Diploma in Human Resource Management. She is Certified Human Resource Professional (CHRP (K)) and Certified Secretary (CPS (K)). She is a member of IHRM (K).</p> <p><b>Experience:</b> She has undertaken a number of leadership and management courses and has over nineteen (19) years’ experience with fifteen (15) years in management positions. She is the Head of Human Resource Management at the City.</p>
<p>3. Moses Ochieng’ Ogeda</p> 	<p><b>Date of Birth:</b> Born on 15<sup>th</sup> May 1977,</p> <p><b>Academic Qualification:</b> Moses holds Bachelors of Science degree in Engineering.</p> <p><b>Experience:</b> He has undertaken a number of management and leadership courses and has been in public Service since the year 2007. He is the Head of City Engineering department.</p>

<p>4.  Charles Ochieng' Omollo</p>	<p><b>Date of birth:</b> Born on 24<sup>th</sup> October 1975, <b>Academic Qualification:</b> Charles holds Bachelor of Commerce degree, Higher Diploma in Human Resource Management and Diploma in Business Management. <b>Experience:</b> He has been trained in Project Management, Design of policies and other leadership courses. He joined public service in the year 1995. He is the Projects Coordinator/Head of Partnerships and Resource Mobilization at the City.</p>
<p>5. Peresia Omino </p>	<p><b>Date of Birth:</b> Born on 6<sup>th</sup> September 1976, <b>Academic Qualification:</b> Peresia holds Master's degree in Business Administration (Finance), Bachelor's degree in Business Administration, Diploma in Business Management and is a Certified Public Accountant in Kenya (CPA-K). <b>Experience:</b> She is a member of ICPAK. She has undertaken a number of Management, Leadership and Finance short courses and is experienced in the public service since the year 2000 with over ten years in management position. She is the head of Finance at the City.</p>
<p>6. Carren Akoth Olwero </p>	<p><b>Date of Birth:</b> Born on 30<sup>th</sup> April 1978, <b>Academic Qualification:</b> Carren holds Bachelor's degree in Logistics and Supply Chain Management and Diploma in Purchasing and Supplies. <b>Experience:</b> She has undertaken a number of management courses and is a member of KISM. She joined Public Service since the year 2012. She is the Head of Supply Chain Management at the City.</p>
<p>7. Maurice Odhiambo Otieno </p>	<p><b>Date of Birth:</b> Born on 7<sup>th</sup> June 1979, <b>Academic Qualification:</b> Maurice holds Bachelors of Science degree in Information Technology (IT) – Distributes Systems and Diploma in IT.</p>

	<p><b>Experience:</b> He has trainings in PHP/MYSQL; LINUX Essential, Cisco and a number of management courses. He has been in the public service since the year 1999 with over ten years in management position.</p>
<p>8. Bovince Ochieng'</p> 	<p><b>Date of Birth:</b> Born on 10<sup>th</sup> March 1984,</p> <p><b>Academic Qualification:</b> Bovince holds Bachelors of Science degree in Electrical and Electronics Engineering.</p> <p><b>Experience:</b> He has a wide range of experience in Business and Entrepreneurship filed. He is currently the Director of Markets, Trade and Enterprise Development at the City of Kisumu.</p>
<p>9. Joannes Omondi Otiende</p> 	<p><b>Date of Birth:</b> Born on 12<sup>th</sup> March 1965,</p> <p><b>Academic Qualification:</b> Joannes is trained in Officer's Command and Leadership. He is also trained in Disaster Preparedness and Management.</p> <p><b>Experience:</b> He has served in the Public Service since 1994. He is the head of City Inspectorate and Enforcement.</p>
<p>10. Mariella Awuor</p> 	<p><b>Date of Birth:</b> Born on 18<sup>th</sup> September 1992.</p> <p><b>Academic Qualification:</b> Mariella holds Bachelor's degree in Law and Post Graduate Diploma in Law. She has training in Corporate Governance and Board Competency. She is a member of Law Society of Kenya (LSK). She is currently Pursuing a course as Chartered Public Secretary. CPS(K)</p> <p><b>Experience:</b> She joined public service in the year 2020 after practicing as an Advocate for .... Years. She is the City Attorney and doubles up as the City Board Secretary.</p>

<p>11. Judith Bala Aluoch</p> 	<p><b>Date of Birth:</b> Born on 17<sup>th</sup> June 1986,</p> <p><b>Academic Qualification:</b> Judith holds Bachelor’s degree in Urban and Regional Planning.</p> <p><b>Experience:</b> She has training in Environmental Impact Assessment and other management courses. She is a member of Kenya Institute of Planners (KIP). She joined public service in the year 2020. She is the City Planner.</p>
<p>12. Benard Ouma Ojwang</p> 	<p><b>Date of Birth:</b> Born on 7<sup>th</sup> February 1983.</p> <p><b>Academic Qualification:</b> Benard holds Master’s degree in Project Planning and Management, Bachelor of Landscape Architecture and is a registered member of Architectural Association of Kenya (AAK).</p> <p><b>Experience:</b> He has undertaken a number of managements trainings. He joined public service in the year 2010. He is the Head of City Housing and Urban Development.</p>
<p>13. Benard Otieno Ojwang’</p> 	<p><b>Date of birth:</b> Born on 13<sup>th</sup> November 1980</p> <p><b>Academic Qualification:</b> Benard holds Bachelor’s degree in Environmental Health, Diploma in Environmental Resource Management and has undertaken a number of management courses. He is a member of Environment Institute of Kenya (EIK). He joined public service in the year 2012. He is the Head of City Environment and Natural Resource Management.</p>
<p>14. Joshua Adongo Owino</p> 	<p><b>Date of Birth:</b> Born on 6<sup>th</sup> June 1966,</p> <p><b>Academic Qualification:</b> Joshua holds Diploma in Environmental Health Sciences.</p> <p><b>Experience:</b> He also has trainings in Control of Communicable Diseases, Environmental Sanitation. Emergency response and lifesaving among other management courses. He is a member of Association of Public Health Officers in Kenya. He joined public service in the year 1994. He is the Head of City Public Health.</p>

<p>15. Dorothy A .Onong'no</p> 	<p><b>Date of Birth:</b> Born on 2<sup>nd</sup> January 1981, <b>Academic Qualification:</b> Dorothy holds Bachelor's degree in Sociology. <b>Experience:</b> She has also undertaken a number of leadership short courses. She joined the public service in the year 1999. She is the Head of Social Services at the City of Kisumu.</p>
<p>16. Evance Odwuor Alalah</p> 	<p><b>Date of Birth:</b> Born On 6<sup>th</sup> October 1985, <b>Academic Qualification:</b> Evance holds Diploma in Journalism and Media Studies. He is currently pursuing a Bachelors Degree in Public Administration and Governance . <b>Experience:</b> He has training in Public Relation and Change Management and a number of Leadership and Management courses. He joined public service in the year 2017. He is the Administrator of the City Board.</p>

#### 4. City Board Chairperson's Report

The Kisumu City Board derives and executes some of the duties bestowed upon the governor by the public through complete delegation under the Urban Areas and Cities Act No.13 of 2011, as amended in 2019.

Kisumu City Board is the first of its kind in the entire country and thus has had to be the trailblazer in governance issues as well as shaping the structures for other municipalities and town boards.

The Kisumu City Board has been steadfast in executing its mandate of policy formulation via resolutions as well as offering direction and oversight to the management team. Through cooperation, we have had numerous achievements within the year but these achievements also had challenges.

##### **Achievements:**

The City Board took up the responsibility of regenerating the city through partnerships and prudent oversight of the projects being implemented key amongst them being the

Kenya Urban Support Program project whose objective is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya and also the Kisumu Urban Project (KUP) which was a 4 year-urban development project (2012-Sep 2016) funded by the French Agency for Development (AFD) and due to the implementation challenges experienced by the project, the deadline was extended to June 2022. These projects were aimed at:

1. Mobilization of the leadership of the city and local people
2. Improvement of the financial system
3. Improvement of Urban Planning
4. Build the capacity of the organization
5. Improve the living condition of the Kisumu population
6. To reinforce the City of Kisumu's capacities and accountability in the context of Ongoing decentralization.

This board is proud to state that within its time these projects have all been successfully implemented and many are currently in use to a great benefit of the City Population.

This board also through concerted efforts and consultation convened a multisectoral brainstorming session in late 2020 which culminated in the enhanced city infrastructure through improved urban aesthetics initiative by the corporate sector. We also successfully relocated and decommissioned Kachok Dumpsite.

The board also delivered for the first time a detailed Local Physical Land Use Plan

**Challenges**

- I. Slow integration with the other levels of the County (Assembly, Executive, Public Service Board National Government Arms in the County
- II. Inadequate and slow Disbursement of Funds
- III. City's independent Bank Account
- IV. Limited inclusion of City in Budgeting process
- V. Inadequate staffing
- VI. Need for revenue collection to be reverted to the city.

Most departments of the County government have not come to terms with the existence and the powers conferred by the Urban Areas and Cities act on the board and this has at times brought friction between the City management and the county executive.

This being an inaugural Board, we may not meet all the expectations but I am proud to be associated with it, we have endured hard times to ensure that we execute our mandates in a harmonious and consultative manner.

Looking into the future, I may say that the Board is geared toward a lasting foundation in City management and policy oversight that will forever make the city fly with eagles.

These challenges and any other could be unique to the Kisumu City board but they sure are the foundation for other boards across the country. Since its inception, the Kisumu city Board has hosted more than twenty-two municipal boards for benchmarking and experience sharing. This shows that we are being looked upon to mentor and help the upcoming cities and municipalities achieve greatness.



.....  
**Elijah Onyango Adul**  
**Chairperson of the Board**

## 5. Report of the City Manager

The City of Kisumu was established by and derives its authority and accountability from Urban Areas and Cities Act No. 13 of 2011 and as amended in 2019.

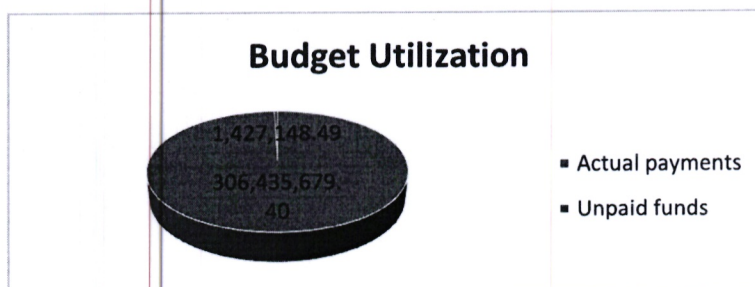
### Financial Performance

The City of Kisumu was allocated a Grant (Kenya Urban Support Program - UDG) of **Kshs.973,968,176** against a budget of **kshs.135,397,875** by the World Bank through the County Government in the FY 2020/2021. Kshs.667,532,496.60 was received in the FY 2020/2021 and **Kshs.306,435,679.40** was received in the FY 2021/2022. The utilized amount in the FY 2021-2022 was **kshs.305,008,530.91**. This was to be used for the refurbishment of the below stated projects:

- a) Construction of the Non-Motorized Transport System phase 2
- b) Construction of Nyamasaria Bus Park within City of Kisumu
- c) Construction of Kaloleni Community Centre within City of Kisumu
- d) Construction of Kibuye Market within City of Kisumu Phase 1

As at 30<sup>th</sup> June, 2021 **Kshs.972,541,027.51** had been utilized on this project. (Which is approximately 99%)

### BUDGET UTILIZATION ( GRAPH /PIE CHART)



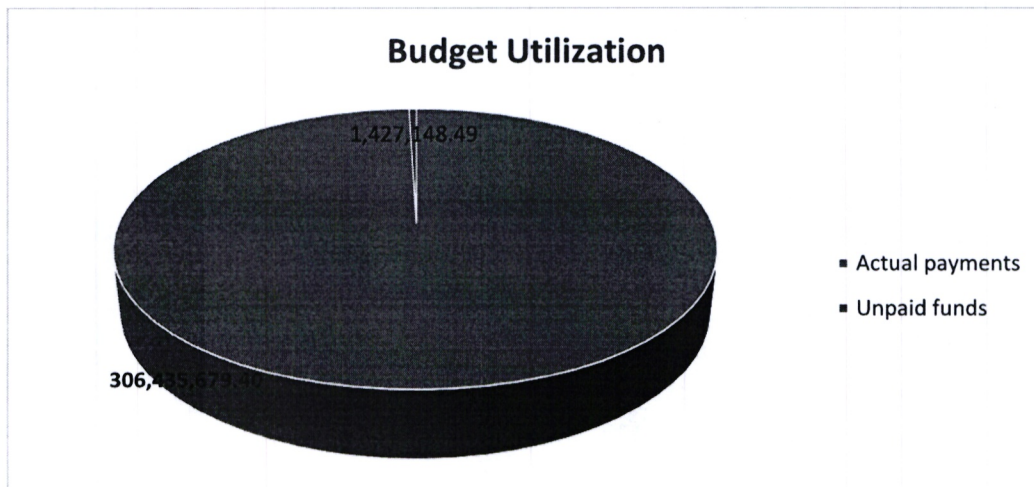
### Challenges

The City of Kisumu had some challenges which affected the completion duration of the project;

- Identification of the project site and delay in clearing of the hence the delayed implementation.
- Lack of cooperation and adherence to the City Engineers instructions by the contractor
- Capacity of the Supervising County Department was wanting hence delayed

The County Government of Kisumu allocated Kshs. **731,639,744** to the City of Kisumu during the Financial year 2021/2022. By 30<sup>th</sup> June 2022 Kshs. **708,900,088** (97%) had been utilized with actual payments of kshs. **490,678,954** (67%) the difference being unpaid processed payments of kshs. **219,455,515.90** (30%).

**BUDGET UTILIZATION (GRAPH /PIE CHART)**



In the implementation of the allocation the following challenges were faced;

- Some payments taken to the County treasury were returned unpaid hence the city could not Utilize their full budget.
- Delay in completion of the project by the contractor
- Identification of relocation site for the traders took long hence delayed implementation of the project.

1. Risk Management Strategies

The City has Internal Audit officer to ensure internal controls and accountability of the Grant and the County Funds is achieved.

.....  
**Name: Abala M. Wanga**  
**City Manager**

**6. Statement of Performance Against Predetermined Objectives for the FY 2021/2022****Guidance****Introduction**

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

- a) Provide quality physical infrastructure in the Urban Area
- b) Provide Sustainable land use and Urban planning management
- c) To enhance quality urban services for social development and environmental sustainability
- d) Urban governance and administration

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Construction of the Non-Motorized Transport System phase 2	To improve the city mobility through construction of the Non-motorized Transport System	-Improved security -Improved safety of the road users/pedestrians and cyclists -Enhanced socio-economic livelihoods of the residents	- Number of Streetlights constructed - Length of the walkways constructed - Length of drainages system constructed - Length of the services duct constructed - Parking spaces provided	75% complete
Improvement of Jomo Kenyatta Sports ground within City of Kisumu	To improve access to public services by rehabilitating the sports ground	-Modernized sports complex with amenities -Improved aesthetics of the complex -Enhanced recreational facilities -Improved revenue collection	- Number of sporting facilities constructed - Number of seats and recreational spaces provided - Streetlights constructed - Length of the walkways and jogging track constructed	95% complete

Program	Objective	Outcome	Indicator	Performance
			<ul style="list-style-type: none"> <li>- Length of drainages system constructed</li> <li>- Public pond rehabilitated</li> </ul>	
Upgrade of Jamhuri Gardens, Market Park, Botanical Garden and Streetscaping along urban roads within City of Kisumu	To improve access to public services by rehabilitating the city parks and open spaces	<ul style="list-style-type: none"> <li>-Improved aesthetics of the complex and the city</li> <li>-Enhanced recreational facilities within the parks and open spaces</li> </ul>	<ul style="list-style-type: none"> <li>- Number of Streetlights constructed</li> <li>- Length of the walkways and jogging track constructed</li> <li>- Length of drainages system constructed</li> <li>- Swimming pool constructed</li> <li>- Number of seats and recreational spaces provided</li> </ul>	95% Complete
Construction of Nyamasaria Bus Park within City of Kisumu	-To Improve the transport system within the city of Kisumu by construction of a bus park	<ul style="list-style-type: none"> <li>-Improved mobility within the city</li> <li>-Enhanced socio-economic livelihoods of the residents</li> <li>-Improved security</li> <li>-Streamlined revenue collection</li> </ul>	<ul style="list-style-type: none"> <li>- Number of sheds and business spaces provided</li> <li>- Number of ablution points constructed</li> <li>- Length of drainages system constructed</li> <li>- Sacco offices constructed</li> <li>- Parking spaces provided</li> </ul>	95% complete
Construction of Kaloleni Community Centre within City of Kisumu	To increase access to social and community services by construction of the Kaloleni community centre	<ul style="list-style-type: none"> <li>Availability of spaces for community activities</li> <li>-Enhanced socio-economic livelihoods of the residents</li> <li>-Increased revenue collection</li> </ul>	<ul style="list-style-type: none"> <li>- Number of halls and meeting spaces provided</li> <li>- Number of ablution points constructed</li> <li>- Number of office spaces provided</li> <li>- Parking spaces provided</li> </ul>	68% Complete
Construction of Kibuye Market within City of Kisumu Phase 1	To increase access to modern trade and commercial	<ul style="list-style-type: none"> <li>-Enhanced socio-economic livelihoods of the residents</li> <li>-Increased revenue collection</li> </ul>	<ul style="list-style-type: none"> <li>- Number of stalls and business spaces provided</li> <li>- Number of ablution points constructed</li> </ul>	95% Complete

Program	Objective	Outcome	Indicator	Performance
	services by modernization of Kibuye market	-Improved market safety and security	<ul style="list-style-type: none"> <li>- Number of Streetlights and high mast floodlights constructed</li> <li>- Length of the perimeter wall and gates constructed</li> <li>- Length of drainages system constructed</li> </ul>	
Relocation of Kachok dump site	To fully Decommission Kachok dumpsite and rehabilitate the ground	<ul style="list-style-type: none"> <li>-Healthy environment free from dumping nuisance and pollution</li> <li>-Kachok decommissioned</li> <li>-Portion of the area landscaped</li> </ul>	<ul style="list-style-type: none"> <li>-Improved air quality</li> <li>-improved ambiance of the surrounding areas</li> <li>-improve business in the mega city shopping mall</li> </ul>	85% Complete
Construction of Flood lights in -Oboch Scheme Market -Open air Market -Maendeleo Market -Chichwa Market -Ojola Market -Paga -Sida Market	•To improve the perception of safety and security	•Impact on Economic Growth	<ul style="list-style-type: none"> <li>-Optimization of 24hr Economy.</li> <li>-Flexibility in working hours for traders</li> </ul>	95% complete
Developing and implementation of Solid waste management	To implement ward-based material recovery centres as an alternative sustainable technology for solid waste management and as a social enterprise option for job	<ul style="list-style-type: none"> <li>-Clean and healthy environment/Reduced Environmental pollution</li> <li>-Reduced cost of solid waste management operations for the city</li> <li>-Reduced cost of cooking fuel for beneficiary institutions, e.g., schools, health</li> </ul>	<ul style="list-style-type: none"> <li>-Reduced number of illegal dumpsites within the city residential areas</li> <li>-Cleaner markets exhibiting reduced accumulation of waste</li> <li>-Enhanced efficiency and less breakdowns of refuse trucks and equipment</li> <li>-Enhanced saving in recurrent budget for Solid Waste Management</li> </ul>	80% Complete

Program	Objective	Outcome	Indicator	Performance
	creation for marginalized groups	facilities, children's homes, etc. -Increased number of successful enterprises related to solid waste value addition	-Increased number of job opportunities created in the solid waste sector -Increased number of CBOs/SMEs engaged in solid waste management	
Biometric Registration of Traders	To biometrically register & ascertain the total number of businesses within the City of Kisumu	5,315 businesses biometrically registered	Number of businesses biometrically captured	25%
Desiltation and opening of Drainages of several rivers in the city	To moderate flooding effects at downstream. •To enhance proper stormwater channelling	•Impact on Periodic Flash Flooding (PFF)	- Mitigated effects of flash floods at downstreams. - Restoration of rivers to their natural states. -Optimized river capacity to channel stormwater	90% complete
Maintenance of Roads (Fourens - kenya -Re Junction)	-•To enhance mobility and distribution of goods and services easier and faster	•Impact on Economic Growth	-Optimization of 24hr Economy on distribution of goods and services. - Reduced cost of transport of goods and services	

The projects above have enabled the achievements of the city's objectives. Most of them are nearing completion.

## 7. Corporate Governance Statement

### *a. Process of appointment and removal of Board members.*

The appointment of the board members is done as per the regulations of the urban areas And Cities Act 2012 section 13 (amended in 2019) and the County Government act 2012.

Following this laid legislation and procedure the Governor nominated the eleven board members on 12 April 2018 and was vetted by the assembly on 5<sup>th</sup> June 2018 and then On 4<sup>th</sup> July 2018.

Urban Areas and Cities act section 16 stipulates that:

Vacation of office A member of a board shall cease to hold office if the member—

- (a) is unable to perform the functions of the office by reason of mental or physical infirmity;
- (b) Is declared or becomes bankrupt or insolvent;
- (c) Is convicted of a criminal offence and sentenced to a term of imprisonment of six months or more;
- (d) Resigns in writing to the county governor;
- (e) Without reasonable cause, the member is absent from three consecutive meetings of the board or committee within one financial year;
- (f) Is found guilty of professional misconduct by the relevant professional body;
- (g) Is disqualified from holding a public office under the Constitution;
- (h) Is convicted of an offence and is sentenced to imprisonment for a term of six months or more;
- (i) In any particular case, the member fails to declare his or her interest in any matter being considered or to be considered by the board or committee;
- (j) Engages in any gross misconduct; or
- (k) Dies

### *b. Roles and functions of the City Board members,*

*Urban Areas and Cities act 2012 section 20 spells out the functions of the board as:*

- (a) Oversee the affairs of the city or municipality;
- (b) Develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services;
- (c) Formulate and implement an integrated development plan;
- (d) control land use, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centres, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and

freight and transit stations within the framework of the spatial and master plans for the city or municipality as may be delegated by the county government;

(e) As may be delegated by the county government, promote and undertake infrastructural development and services within the city or municipality;

(f) Develop and manage schemes, including site development in collaboration with the relevant national and county agencies;

(g) Maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board; (h) administer and regulate its internal affairs;

(i) Implement applicable national and county legislation; [Rev. 2012] No. 13 of 2011 Urban Areas and Cities 13 [Issue 1]

(j) enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions under this Act or other written law;

(k) monitor and, where appropriate, regulate city and municipal services where those services are provided by service providers other than the board of the city or municipality; (l) prepare and submit its annual budget estimates to the relevant County Treasury for consideration and submission to the County Assembly for approval as part of the annual County Appropriation Bill;

(m) as may be delegated by the county government, collect rates, taxes levies, duties, fees and surcharges on fees; (n) settle and implement tariff, rates and tax and debt collection policies as delegated by the county government;

(o) Monitor the impact and effectiveness of any services, policies, programmes or plans;

(p) Establish, implement and monitor performance management systems;

(q) Promote a safe and healthy environment;

(r) Facilitate and regulate public transport; and

(s) Perform such other functions as may be delegated to it by the county government or as may be provided for by any written law.

***c. Induction and training, City Board members and member's performance,***

Since coming to office in August 2018, the Kisumu City Board have had one induction training but has not held any further training for the Board or the individual members. However, members of the secretariat have had training that relates to running the board. It is imperative that the board members undergo some training.

**d. Number of City Board meetings held and the attendance to those meetings by members,**

COMMITTEE	DATE OF MEETING	VENUE
Legal and enforcement	27/9/2021	Royal City Gardens
	6/10/2021	Sovereign Hotel
	8/12/2021	City Hall
	25/03/2022	Sovereign Hotel
Public health committee	21/3/2022	Sovereign Hotel
	22/3/2022	Sovereign Hotel
Education and social services	25/03/2022	Sovereign Hotel
Finance, Hr, and ICT	25/03/2022	Sovereign Hotel
Board Business Committee	11/03/2021	Sovereign Hotel
	28/03/2022	Sovereign Hotel
	28/10/2022	Sovereign Hotel
Planning and Infrastructure	3/12/2021	Vittoria Suites
	13/01/2022	Sovereign Hotel
	17 /03/2022	Equator Resort
	18/03/2022	Equator Resort
	24/03/2022	Sovereign Hotel
Audit Committee	7/09/2022	City Hall
	18/03/2022	Equator Resort
	20/06/2022	Bahari Beach
Mandatory full board meeting	30/09/2021	Ciala Resort Kisumu
	17/12/2021	Alps Hotel Nakuru
	29/03/2022	Sovereign Hotel
	22/06/202	Bahari Beach Hotel

**e. Succession plan,**

*The board has a clear succession plan for its leadership structure and that of the management*

**f. Existence of a service charter,**

*Being that the City was established as a millennium City there exists a service charter which the board is currently reviewing*

**g. Conflict of interest,**

*Conflict of interest is usually declared before any matter is discussed by the board. Individual members are asked to declare conflict before any agenda is adopted for discussion*

***h. Board remuneration,***

*Salaries and remuneration commissions set the rates upon which board members are remunerated.*

***i. Ethics and conduct as well as governance audit undertaken if any***

*None has been carried out so far.*

## 9. Environmental and Sustainability Reporting

The City of Kisumu exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Vision 2030 pillars: putting the residents/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

### 1. Sustainability strategy and profile

The top management especially the Accounting Officer should make reference to sustainable efforts, broad trends in political and macroeconomic factors affecting sustainability priorities, reference to international best practices and key achievements and failure.

### 2. Environmental performance

The city of Kisumu draws its mandate from the CoK 2010, County Government Act, EMCA 1999 and Urban Areas Act. The department's mandate under Urban Areas and Cities Act includes: -Development control, Solid waste management, Air pollution control, Noise pollution control, Management of recreational parks and open spaces and, Conservation and protection of sensitive ecosystems (wetlands & marine front).

The department works to enhance the quality of the urban environment through provision of efficient sustainable environment management solutions to ensure a clean, safe and healthy environment.

### Success and shortcomings of the organization

#### Success

- Sustainable cleaning of coded city streets to ensure a clean, safe and healthy environment
- Establishment of waste material recovery centers for waste recycling and re-use
- Improvement of waste evacuation activities through procurement of refuse skip bins and loaders
- Decommissioning of Kachok dumpsite

- Collaborative partnership between City Environment Directorate, Kisumu City Waste Actors Network and Civil Society Urban Development Platform (CSUDP) for development of waste recycling enterprise development
- City greening and beautification (urban aesthetics), including upgrading of city recreational parks, roundabouts, flower gardens and road medians
- Continuous awareness creation and surveillance activities to control noise pollution
- Progressive restoration of Auji River in collaboration with environmental CBOs
- Successful tree planting activities in collaboration with other partners and educational institutions

### **Shortcomings**

- Rapid urbanization has resulted to increased challenges in the urban environmental management within the city, i.e. increase in waste generation
- Inadequate budgetary allocation for environmental programmes, projects and activities
- Poor attitude of urban population towards good environmental practices

### **Efforts to manage biodiversity.**

- The department intends to roll out a partnership project with a global initiative called Urban Natural Assets (UNA), a rivers programme funded by ICLEI to landscape sections of Auji River and plant trees and bamboo to protect the river bank (this is in line with Auji Creek proposal outlined in the local detailed urban land use plan.
- City of Kisumu has developed a Local Physical Detailed Land use Plan, which has zoned and mapped out specific areas as sensitive ecosystems
- Restoration and protection of urban rivers in collaboration with catchment community CBOs
- City is partnership between city of Kisumu and tree nursery vendors to propagate both indigenous and exotic seedlings for planting

### **Solid waste management policy**

The City is currently using the National Policy Framework for Solid Waste Management. However, it is finalizing on a Solid Waste Management Policy.

### **Efforts to reduce environmental impacts**

The city has established the directorate of environment, and continues to strengthen and support the department with resources and staffs for a better management of a sustainable urban environment.

### **3. Employee welfare**

The City draws its guidance from the County Government Act 2012, Kisumu County Human Resource policy and procedure manual (2016) together with other public service commission and National Government legislations on Labour matters. The documents give County Public Service Board mandate of hiring taking into account Gender and minority issues.

The stakeholders are duly engaged since the request to hire is generated by the user department approved by the city manager and city board makes a resolution on the need before rewarding to the county public service board for action.

#### **Efforts made in improving skills and managing careers, appraisal & reward systems.**

The City of Kisumu has trainings recommended to improve the workers skills as appropriate. However due to the centralization of the training function coupled with delays in financing, minimal success was achieved.

Employees have regular meetings per department to discuss their career matters and share experiences and challenges. Staffs are encouraged to undertake self-sponsored training that would make them grow professionally.

Employees are also assigned supervisory /managerial roles as per their skills and ability to grow their careers

Appraisals are done annually with continuous monitoring throughout the year. Discussions between the employees and their immediate supervisors is done during appraisal. In the FY 2021-2022, best female and male employees were awarded with certificates.

***a) Responsible Supply chain and supplier relations***

(i) We maintain good business practice by ensuring that we follow the Public Procurement and Asset Disposal Act accompanying Regulation.

(ii) We also maintain good business practising by ensuring that all our customers are treated equally and encourage competition among our customers.

(iii) We also ensure good practice by ensure transparency and accountability.

***4. Community Engagements***

The City of Kisumu through stakeholder's forums as well as involvement of the public in project planning and implementation and governance related issues.

City provides care and protection to vulnerable children who are identified by the community members. They get basic needs during their stay in the children's home.

City has also organised sports like football within wards. The youths are mobilized to form a team and invited to play with other teams.

## 10. Report of the City Board Members

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the City affairs.

### Principal activities

- Encourage the economic, social and environmental health of the population
- Follow up on development opportunities.
- Establish and enforce the city by-laws.
- Deliver adequate and efficient urban services to the people of the city.
- Provide for governance mechanism to enable public participation in public service delivery.

### Performance

The performance of the city for the year ended June 30, 2022 are set out on page 1

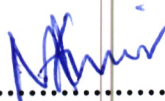
### Board Members

The members of the Board who served during the year are shown on page xiii-x. There were no changes in the Board during the financial year.

### Auditors

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

By Order of the Board



.....  
**Name: Mariella Awuor**

**Ag. Secretary of the Board**

## **11. 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 City manager is responsible for the preparation and presentation of the City financial statements, which give a true and fair view of the state of affairs of the City for and as at the end of the financial year ended on June 30, 2022. 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 City,
- (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 city,
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The City 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 City Manager is of the opinion that the financial statements give a true and fair view of the state of City, s transactions during the financial year ended June 30, 2022, and the financial position as at that date.

The City Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the City Manager has assessed the City ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

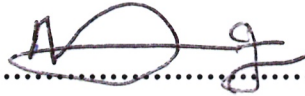
**Approval of the financial statements**

The City's financial statements were approved by the Board on 16<sup>th</sup> Sept 2022 and signed on its behalf by:



**Name: Elijah Onyango Adul**

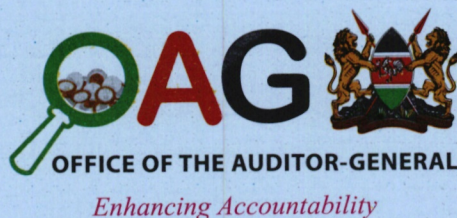
**Chairperson of the Board**



**Name: Abala.M. Wanga**

**Accounting officer of the Board**

# REPUBLIC OF KENYA



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NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON CITY OF KISUMU FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

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

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

#### **Adverse Opinion**

I have audited the accompanying financial statements of City of Kisumu set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2022, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of City of Kisumu as at 30 June, 2022, 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 do not comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

## **Basis for Adverse Opinion**

### **1. Transfers from the County Government**

The statement of financial performance reflects an amount of Kshs.489,444,572 as having been transferred to the City, while the County Government's financial statements reflects an amount of Kshs.491,964,572. The resultant difference of Kshs.2,520,000 has not been reconciled or explained.

In the circumstances, the accuracy and completeness of the reported transfers from the County Government balance of Kshs.489,444,572 could not be confirmed.

### **2. Unsupported Receivables**

The statement of financial position and Note 7 to the financial statements reflect receivables of Kshs.347,500,886 which relates to amounts receivables from the Kenya Urban Support Project (KUSP) for pending bills payable under a Project financed by the World Bank. The amount is also accounted for as a credit as disclosed in Note 8 to the financial statements. However, the KUSP Project reflected pending bills amounting to Kshs.29,537,348. Management has not indicated how they intend to collect the outstanding debt considering that the Project was ending on 30 June, 2022. The debt is neither represented by any contracted works or services nor a binding obligation from KUSP to fund the City after project closure.

In the circumstances, the funding of the amount of Kshs.347,500,886 disclosed as receivable in these financial statements appear doubtful.

### **3. Misclassification of Expenditure**

The statement of financial performance and Note 4 to the financial statements reflect Board allowances of Kshs.24,527,703 which includes office and general supplies amount of Kshs.5,153,800. However, this expenditure was incurred on use of goods and services but charged to Board expenses.

In the circumstances, the accuracy of Board expenses of Kshs.24,527,703 could not be confirmed.

### **4. Failure to Recognize Assigned Assets**

The statement of financial position reflects an amount of Kshs.305,040,557 under non-current assets, which as disclosed in Note 5 to the financial statements relates to

Urban Development Grant Projects. However, the City has been assigned property, plant and equipment of unquantified value to enable it carry out its intended functions. These property, plant and equipment include premises, tractors, motor vehicles and other equipment used by the Board. In addition, budgetary provisions were made to run the property, plant and equipment. However, no documentary evidence was provided to show the value of the property, plant and equipment assigned to the Board neither have they been reported in the financial statements in line with IPSAS.

In the circumstances, the completeness, accuracy and existence of the non-current assets balance of Kshs.305,040,557 could not be confirmed.

## **5. Unsupported Expenditure on Use of Goods and Services**

The statement of financial performance and Note 2 to the financial statements reflect amount of Kshs.422,784,771 on use of goods and services. Included in this expenditure are expenses amounting to Kshs.345,665,501 whose propriety, completeness and accuracy could not be confirmed as detailed below;

- i. The details of the assets maintained on repair and maintenance - other assets expenditure of Kshs.307,905,382 was not provided.
- ii. Fuel, oils and lubricants, insurance costs and routine maintenance expenses of Kshs.18,000,000, Kshs.10,135,700 and Kshs.4,636,819 respectively incurred on motor vehicles could not be attributed to any particular motor vehicle.
- iii. The Board reported Audit/Legal fees amounting to Kshs.4,988,000 yet it was the first year of operation and no audit fee had been charged neither were there any legal cases against the Board.

In the circumstances, the completeness and accuracy on the expenditure amounting to Kshs.345,665,501 relating to use of goods and services could not be confirmed.

## **6. Staff Costs**

The statement of financial performance and Note 3 to the financial statements reflect staff cost amounting to Kshs.261,177,762. The Board came into being in the year under review and there was no evidence of employment or deployment of staff to the Board. Records provided for audit indicated that an amount of Kshs.225,730,050 was incurred by the County Executive on behalf of the Board on an unidentified number of staffs in respect to staff costs, while the Board recorded an amount of Kshs.261,177,762, resulting to unreconciled and unexplained difference of Kshs.35,447,712.

In the circumstances, the accuracy and completeness of staff cost amounting to Kshs.261,177,762 and the number of staff members deployed to the Board could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the City of Kisumu 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 adverse opinion.

## **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 other key audit matters to report in the year under review.

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on a comparable basis of Kshs.867,037,619 and Kshs.795,880,251 respectively, resulting to an underfunding of Kshs.71,157,368 (or 8%) of the budget. Similarly, the Board expended Kshs.1,013,530,794 against an approved budget of Kshs.867,037,619 resulting to an under-expenditure of Kshs.146,493,175 (or 16%) of the budget.

The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Incomplete Projects**

The statement of financial position reflects Kshs.305,040,557 in respect of property, plant and equipment which includes Kshs.202,641,507 paid on five (5) projects during the year under review. However, examination of the contract documents revealed the following inadequacies.

#### **1.1 Construction of the Non-motorized Transport System Phase 2**

Management signed a contract on 4 August, 2020 for the construction of the non-motorized transport system phase 2 at a contract sum of Kshs.659,065,834, implementation period of twenty-four (24) months and expected completion date of 3 August, 2022. During the year under review, the contractor was paid Kshs.124,418,106 leading to cumulative total payments of Kshs.455,409,872 or 69% of the contract sum and the actual completion status was estimated at 75%. However, physical verification carried out in December, 2022 revealed that the project had been partially completed and was in use but the contractor was not on site and the performance bond had expired.

#### **1.2 Improvement of Jomo Kenyatta Sports Ground**

Management signed a contract on 14 August, 2020 for the improvement of Jomo Kenyatta sports ground at a contract sum of Kshs.111,328,291, implementation period of

twenty-four (24) months and expected completion date of 13 August, 2022. During the year under review, the contractor was paid Kshs.11,158,404 leading to cumulative total payments of Kshs.56,739,433 or 51% of the contract sum and the actual completion status was estimated at 88%. However, physical verification done in December, 2022 revealed that the project had been partially completed and was in use, but the contractor was not on site and the performance bond had expired.

### **1.3 Upgrade of Jamhuri Gardens, Market Park, Botanical Garden and Streetscaping**

Management signed a contract on 7 August, 2020 for the Upgrade of Jamhuri gardens, market park, botanical garden and streetscaping at a contract sum of Kshs.111,756,241, implementation period of twenty-four (24) months and expected completion date of 6 August, 2022. During the year under review, the contractor was paid Kshs.30,947,435 leading to cumulative total payments of Kshs.93,811,760 or 84% of the contract sum and the actual completion status was estimated at 88%. Physical verification in December, 2022 revealed that the market park had been completed and in use. However, the contractor was on site undertaking the swimming pool works at Jamhuri Park but the performance bond had expired.

### **1.4 Construction of Nyamasaria Bus Park**

Management signed a contract on 4 August, 2020 for the construction of Nyamasaria Bus Park at a contract sum of Kshs.99,883,902, implementation period of twenty-four (24) months and expected completion date of 3 August, 2022. During the year under review, the contractor was paid Kshs.14,084,782 leading to cumulative total payments of Kshs.99,883,902 or 100% of the contract sum and the actual completion status was estimated at 95%. However, physical verification in December, 2022 revealed that the project was not complete, the contractor was not on site and the performance bond had expired.

### **1.5 Construction of Kaloleni Community Centre**

Management signed a contract on 7 August, 2020 for the construction of Kaloleni Community Centre at a contract sum of Kshs.151,468,960, implementation period of twenty-four (24) months and expected completion date of 6 August, 2022. During the year under review, the contractor was paid Kshs.22,032,780 leading to cumulative total payments of Kshs.53,229,171 or 35% of the contract sum and the actual completion status was estimated at 68%. However, physical verification in December, 2022 revealed that the project had been suspended due to funding delays and the performance bond had expired.

In the circumstances, the value for money received from the public funds of Kshs.202,641,507 spent on construction of the projects during the year under review could not be confirmed and the Management was 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of Autonomy of the Board of Management**

During the audit it was noted that Management of the Kisumu City was not fully autonomous as envisaged in the Urban Areas and Cities Act, 2011. Further, the Board had been fully constituted and operational, but the financial management was with the County Executive as most of the payments were done by the County Executive on behalf of the City.

In the circumstances, the Board could not carry its roles as envisaged.

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 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 the City Board**

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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Board'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 the intention to terminate the Board 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 are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The City Board is responsible for overseeing the Board'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**

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 control 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 the Board's 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 Board'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 Board 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 board to express an opinion on the Board's 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
 CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

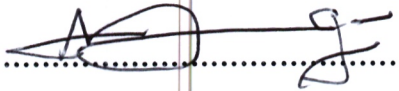
**Nairobi**

**12 May, 2023**

## 13. Statement of Financial Performance for The Year Ended 30 June 2022.

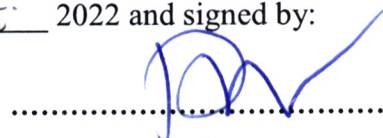
		2021-2022	2020-2021
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	1	489,444,572	
<b>Total revenue</b>		<b>489,444,572</b>	
<b>Expenditure</b>			
Use of goods and services	2	422,784,771	
Staff Costs	3	261,177,762	
Board expenses	4	24,527,703	
<b>Total expenses</b>		<b>708,490,236</b>	
<b>Surplus/(deficit) for the period</b>		<b>(219,045,664)</b>	

The notes set out on pages 25 to 32 form an integral part of these Financial Statements. The entity financial statements were approved on 16<sup>th</sup> Sept 2022 and signed by:



Name: Abala.M. Wanga

City Manager



Name: Peresia Omino

Head of Finance

ICPAK M/No 8470

## 14. Statement of Financial Position as at 30 June 2022

	Note	2021-2022	2020-2021
Assets		Kshs.	Kshs.
<b>Non-Current Assets</b>			
PPE (WIP)	5	305,040,557	
<b>Total assets</b>		<b>305,040,557</b>	
<b>Current assets</b>			
Cash and cash equivalents	6	1,804,974	
Receivables	7	347,500,886	
<b>Total Current assets</b>		<b>349,305,860</b>	
<b>Total assets</b>		<b>654,346,417</b>	
<b>Liabilities</b>			
Trade and other payables	8	566,956,402	
<b>Total liabilities</b>		<b>566,956,402</b>	
<b>Net assets</b>			
Capital/Development Grants/Fund	9	306,435,679	
Accumulated Surplus(Deficit)		(219,045,664)	
<b>Total net assets and liabilities</b>		<b>654,346,417</b>	

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 16<sup>th</sup> Sept. 2022 and signed by:



**Name: Abala.M. Wanga**  
City Manager



**Name: Peresia Omino**  
Head of Finance  
ICPAK M/No 8470

**15. Statement of Changes in Net Assets as at 30 June 2022**

	<b>Capital/Development Grants/Fund</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Balance as at 30 June 2021</b>	-	-	-
Funds received during the year	306,435,679	-	-
Surplus/(deficit) for the period	-	(219,045,664)	(219,045,664)
<b>Balance as at 30 June 2022</b>	<b>306,435,679</b>	<b>(219,045,664)</b>	<b>(219,045,664)</b>

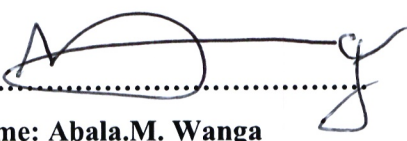
.....  
**Name: Abala.M. Wanga**  
**City Manager**

.....  
**Name: Peresia Omino**  
**Head of Finance**  
**ICPAK M/No 8470**

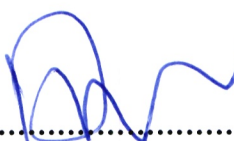
**16. Statement of Cash Flows for The Year Ended 30 June 2022**

		2021-2022	2020-2021
	Notes	Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	489,444,572	
<b>Total Receipts</b>		<b>489,444,572</b>	
<b>Payments</b>			
Use of goods and services		203,329,256	
Staff costs		261,177,762	
Board expenses		24,527,703	
<b>Total Payments</b>		<b>489,034,721</b>	
<b>Net cash flows from operating activities</b>		<b>409,851</b>	
<b>Cash flows from investing activities</b>			
Purchase of PPE (WIP)	8	(305,040,557)	
<b>Net cash flows used in investing activities</b>		<b>(305,040,557)</b>	
<b>Cash flows from financing activities</b>			
Public contributions and donations	7	306,435,679	
<b>Net cash flows used in financing activities</b>		<b>306,435,679</b>	
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>1,804,973</b>	
Cash and Cash Equivalents At 1 July		-	
<b>Cash And Cash Equivalents At 30 June</b>		<b>1,804,973</b>	

*(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)*

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**Name: Abala.M. Wanga**  
**City Manager**

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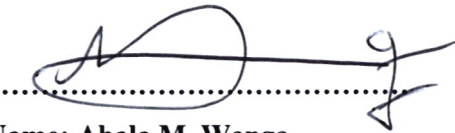
**Name: Peresia Omino**  
**Head of Finance**  
**ICPAK M/No 8470**

## 17. Statement of Comparison of Budget &amp; Actual Amounts for the Year ended 30 June 2022

	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
<b>Revenue</b>		<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>	
Transfers from the County Government	511,326,844	220,312,900	731,639,744	489,444,572	242,195,172	33%
Public contributions and donation (UDG)	135,397,875	-	135,397,875	306,435,679	171,037,804	-126%
Other income (Bank Bal.B/f)			-			
<b>Total Revenue</b>	<b>646,724,719</b>	<b>220,312,900</b>	<b>867,037,619</b>	<b>795,880,251</b>	<b>71,157,368</b>	
<b>Expenses</b>						
Urban Development Grant Project	135,397,875	-	135,397,875	305,040,557	169,642,682	-125%
Use of goods and services	238,900,000	199,828,968	438,728,968	422,784,772	15,944,196	4%
Board expenses	25,000,000	-	25,000,000	24,527,703	472,297	2%
Staff Costs	247,426,844	20,483,932	267,910,776	261,177,761	6,733,015	3%
<b>Total Expenditure</b>	<b>646,724,719</b>	<b>220,312,900</b>	<b>867,037,619</b>	<b>1,013,530,794</b>	<b>146,493,175</b>	

**Budget notes**

2. Transfers from county the County Government Kshs.490,678,954 against the budgeted amount of kshs. 731,639,744 and amount due to non-payment of committed vouchers totaling to kshs.219,455,5151.90.
3. The original budget for the Donations (UDG) was kshs. 135,397,875 and the received amount is kshs.306,435,679.40 which is above the budgeted amount.
4. The amount of kshs. 220,312,900 in the adjustment column of the final budget was completion of kibuye market and use of goods and services.



**Name: Abala.M. Wanga**

**City Manager**



**Name: Peresia Omino**

**Head of Finance**

**ICPAK M/No 8470**

## **18. Notes to the Financial Statements**

### **I. General Information**

City of Kisumu is established by and derives its authority and accountability from Urban and Cities Act. The City of Kisumu is under the County Government of Kisumu and is domiciled in Kenya.

#### **The principal activities:**

- Provide high standard social services involving public and stakeholders through public participation
- Provide for governance mechanism to enable the public to participate in public service delivery
- Provide for efficient Urban services to the people
- Pursue development opportunities
- Provide high standard social services involving public and stakeholders through public participation
- Develop and enforce City by-laws
- Foster the economic, social and environmental wellbeing of the inhabitants

### **II. Statement of Compliance and Basis of Preparation**

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

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

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

### **III. Application of New and revised standards (IPSAS)**

#### **New and amended standards and interpretations in issue effective in the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

#### ***ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.***

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> </ul>

	<ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>

<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></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 cashflows 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><b><i>State the impact of the standard to the Entity if relevant</i></b></p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></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 on 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> <p><b><i>State the impact of the standard to the Entity if relevant</i></b></p>

**iii. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022

**IV. 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 City and can be measured reliably.

**ii) Revenue from exchange transactions**

***Interest income***

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

**b) Budget information**

The original budget for FY 2021/22 was approved by the County Assembly on 7<sup>th</sup> July, 2021. 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 City upon receiving the respective approvals in order to conclude the final budget. Accordingly, the City recorded additional appropriations of **kshs.220,312,900** on (11<sup>th</sup> March,2022) following the governing body's approval.

The City'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

***(Significant accounting policies continued)***

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 xxx of these financial statements.

**c) Property, plant and equipment**

All property, plant and equipment in use by the City are not stated at any value in the Financial statement. Cost less accumulated depreciation and impairment losses. The Equipment's used by the city are from the County Government and Urban institutional Grant (UIG). Cost do not include 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 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) Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

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

**Held-to-maturity**

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

**Impairment of financial assets**

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

Evidence of impairment may include the following indicators:

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

## **Financial liabilities**

### **Initial recognition and measurement**

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

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

### **Loans and borrowing**

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

### **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 city

**g) Provisions**

Provisions are recognized when the City 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 City/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) Contingent liabilities**

The City/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

**i) Contingent assets**

The City 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 City 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.

**j) Nature and purpose of reserves**

The City creates and maintains reserves in terms of specific requirements. *City to state the reserves maintained and appropriate policies adopted*

**k) Changes in accounting policies and estimates**

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

**l) Employee benefits – Retirement benefit plans**

The city provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which the City pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the City 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.

**m) 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.

**n) Borrowing costs**

No borrowing costs are capitalized against qualifying assets as part of property, plant and equipment were bought by Urban institutional Grant (UIG), under KUSP funding and donation from County Government of Kisumu.

**o) Related parties**

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

**p) Cash and cash equivalents**

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

**q) Comparative figures**

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

**r) Events after the reporting period**

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

Two types of events can be identified:

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

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

The city had no material adjusting and non- adjusting events after the reporting period.

**s) Currency**

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

**V. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made e.g.

**Estimates and assumptions**

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

**Useful lives and residual values**

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

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

County Government of Kisumu

City of Kisumu

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<b>1</b>	<b>Transfers from County Government</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Transfers from County Govt. – Recurrent	24,500,000	
	Payments by County on behalf of the entity	464,944,572	
	<b>Total</b>	<b>489,444,572</b>	
<b>2</b>	<b>Use of Goods and Services</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Utilities, supplies and services	3,355,074	
	Communication, supplies and services	2,120,795	
	Domestic travel and subsistence	6,957,215	
	Printing, advertising, supplies & services	350,000	
	Training expenses	47,500	
	Hospitality supplies and services	2,434,000	
	Insurance costs	10,135,700	
	Specialized materials and services	7,970,604	
	Office and general supplies and services	6,693,781	
	Fuel, oil and lubricants	18,000,000	
	Other operating expenses ( <i>Specify</i> )	42,519,501	
	Routine maintenance – vehicles and other equipment	4,636,819	
	Routine maintenance – other assets	307,905,382	
	Contracted Professional Services	3,047,280	
	Audit fees/Legal fees	4,988,000	
	Hire of Transport, equipment etc	1,605,000	
	Bank Charges	18,120	
	<b>Total</b>	<b>422,784,771</b>	
<b>3</b>	<b>Staff Costs</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Salaries and wages	178,100,900	
	Social security contribution	28,544,311	
	Other staff costs ( <i>Allowances</i> )	54,532,551	
	<b>Total</b>	<b>261,177,762</b>	
<b>4</b>	<b>Board Allowances</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Sitting allowances	2,254,450	
	Medical Insurance	2,974,197	
	Domestic	5,658,904	
	Foreign	5,839,840	
	Conference Costs	2,554,140	
	Office & General Supplies	5,153,800	
	Other allowances (Mieage allowance.)	92,372	
	<b>Total</b>	<b>24,527,703</b>	

*County Government of Kisumu  
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<b>5</b>	<b>Urban Development Grant Projects</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Urban Development Grant Projects	305,040,557	
	<b>Total</b>	<b>305,040,557</b>	
<b>6</b>	<b>Cash and Cash Equivalent</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Current account	1,804,974	
	<b>Total</b>	<b>1,804,974</b>	
<b>7</b>	<b>Receivables</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Transfer from KUSP	347,500,886	
	<b>Total</b>	<b>347,500,886</b>	
<b>8</b>	<b>Payables</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Trade payables-CGK	219,455,516	
	Trade payables-KUSP	347,500,886	
	<b>Total</b>	<b>566,956,402</b>	
<b>9</b>	<b>Public Contributions and Donations</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs.</b>	<b>Kshs.</b>
	Donation from development partners	306,435,679	
	<b>Total</b>	<b>306,435,679</b>	

## **Other Disclosures**

### **10 Related party balances**

#### **a) Nature of related party relationships**

Entities and other parties related to the City 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 City 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 Board; etc.

### **11 Financial risk management**

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

#### **I. Credit risk**

The city 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 City's management based on prior experience and their assessment of the current economic environment.

## II. Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2022</b>				
Trade payables			219,455,515	219,455,515
<b>Total</b>			<b>219,455,515</b>	<b>219,455,515</b>
<b>At 30 June 2021</b>				
Trade payables	-	-	-	-
<b>Total</b>			<b>219,455,515</b>	<b>219,455,515</b>

## III. Market risk

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

#### **IV. Foreign currency risk**

The city has no 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.

#### **Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

#### **V. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the city to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the city's deposits.

#### **Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

#### **VI. Capital risk management**

The objective of the City's capital risk management is to safeguard the City's ability to continue as a going concern.

**12 Progress on Follow up of Auditors Recommendations.**

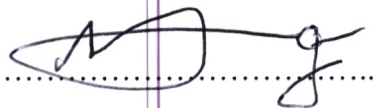
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

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)

N/B: This the first financial statement prepared by the City of Kisumu for the FY 2021/2022. All Audit reports were addressed to the County Executive where the reports were consolidated in the previous years.

**Guidance Notes:**

- a) Use the same reference numbers as contained in the external audit report.
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue.
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.



**To be Signed by the Accounting officer of the Entity**


*County Government of Kisumu  
City of Kisumu  
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**13 Annexes**

**Annex 1: Inter Entity Transfers**

<b>CITY/MUNICIPALITY NAME: CITY OF KISUMU</b>				
<b>Breakdown of Transfers from the County Executive of County Government of Kisumu</b>				
<b>FY 2021/2022</b>				
		<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
a.	Recurrent Grants		-	
		<b>Total</b>	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	KENYA URBAN SUPPORT PROGRAMME	7-10-2020	281,044,817	2020-2021
	KENYA URBAN SUPPORT PROGRAMME	21-12-2020	272,244,817	2020-2021
	KENYA URBAN SUPPORT PROGRAMME	15-6-21	114,242,862	2020-2021
	KENYA URBAN SUPPORT PROGRAMME	19-7 2021	306,435,679.40	2021-2022
		<b>Total</b>	<b>973,968,175.40</b>	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	Development	1-7-2021-30-6-2022	150,534,868.70	2021-2022
	Recurrent	1-7-2021-30-6-2022	338,909,703.40	2021-2022
		<b>Total</b>	<b>489,444,572.10</b>	

*(The above amounts have been communicated to and reconciled with the parent Department in the County.)*

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**Head of Finance**  
**City of Kisumu**

.....  
  
**Head of Accounting Services**  
**County Government of Kisumu**

**Annex 2: Trial Balance**

<b>Details</b>	<b>DR.</b>	<b>CR.</b>
	<b>Ksh.</b>	<b>Ksh.</b>
Cash and cash equivalents	1,804,974	
Surplus b/d		0
Transfers from the County Government		489,444,572
Public contributions and donations		306,435,679
Other revenues (UDG Bal.B/f)		0
Trade and other payables		566,956,402
Receivables	347,500,886	
<b>Expenses</b>		
Urban Development Grant Projects	305,040,557	
Use of goods and services	422,784,772	
Staff costs	261,177,761	
Board expenses	24,527,703	
<b>TOTAL</b>	<b>1,362,836,653</b>	<b>1,362,836,653</b>

