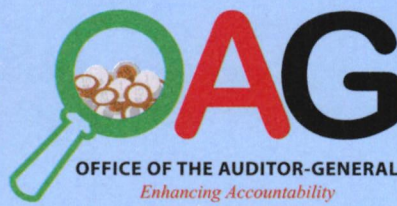


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REPORT

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ON

**KISUMU URBAN PROJECT
(PROJECT ADVANCE ACCOUNT) –
CKE 1035.01.G**

FOR THE YEAR ENDED

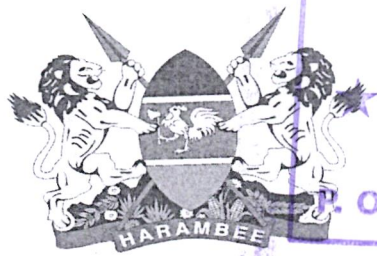
30 JUNE, 2025

COUNTY GOVERNMENT OF KISUMU

PAPERS LAID	
DATE	29/10/2025
TABLED BY	Mojanty L
COMMITTEE	
CLERK AT THE TABLE	Belinda



Revised 30th June 2025



OFFICE OF THE AUDITOR GENERAL
FINCHAMIND
24 SEP 2025
P. O. BOX 1188, KISUMU

**KISUMU URBAN PROJECT
PROJECT ADVANCE ACCOUNT**

CITY OF KISUMU

PROJECT GRANT/CREDIT NUMBER: AFD AGREEMENT NO. CKE 1035.01.G

(For Application by National and County Governments' Self-Reporting Development Projects as per the financing agreements)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Financial Statements are prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

(Projects to include all acronyms and Definition of terms used in the annual report and financial statements)

2. Project Information and Overall Performance

2.1 Name and registered office

The Project's official name is **Kisumu Urban Project- Project Advance Account**

Objective

The key objective of the project is to promote an inclusive and sustainable development for Kisumu, through the modernization of the municipal management system and public policies, the improvement of land management and urban planning, rehabilitation and creation of public facilities and infrastructures, by undertaking the project in the following areas;

- i. Technical Assistance and Capacity Building;
- ii. Solid Wastage Management;
- iii. Slum Upgrading;
- iv. Commercial Infrastructure;
- v. Public Infrastructures Rehabilitation

Address

The Project headquarters offices are in Kisumu City, Kisumu County, Republic of Kenya.

City Manager

City of Kisumu Offices-Along Obote Road at Kicomi Junction

Administration Block, 1st Floor P.O. Box 105 -40100 Kisumu

Telephone: : Tel.(057) 202 3812 **E-mail** city.manager@kisumu.go.ke

Formerly

Kisumu Urban Project

P.O. Box 105 -40100 Kisumu

Telephone: : Tel. No. +254 (0) 775 543 071

E-mail: kupsecretariat@ymail.com

Website: www.citycouncilofkisumu.or.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The Project start date is 12 th March 2012
Project End Date:	The Project end date is 30 th June 2022
Project Coordinator:	The Project Coordinator is Mr. Charles Omollo
Project Development Partner:	: Agence Francaise De Developpement (AFD) : 5, Rue Roland Barthes, 75598, : Paris Cedex 12: France : Reg. No. 775 665 599

2.3 Project Overview

Line Ministry or State departments/ County Department	The Project is under the supervision of the Ministry of Lands, Housing and Urban Development (State Department of Housing and Urban Development).
Project number	AFD AGREEMENT No CKE 1035.01.G
Strategic goals of the project	The strategic goals of the Project is to promote an inclusive and sustainable development for Kisumu, through modernization of the municipal management system and public policies, improvement of land management and urban planning, rehabilitation and creation of public facilities and infrastructures
Summary of Project Strategies for achievement of strategic goals	The Project Management aims to achieve the set goals through the following means: i. Technical Assistance and Capacity Building; ii. Solid Wastage Management; iii. Slum Upgrading; iv. Commercial Infrastructure; v. Public Infrastructures Rehabilitation
Other important background information of the project	The Project is financing the Project Cash Expenditure Fund account for project execution activities

Areas that the project was formed to intervene	The Project was formed to intervene in the following areas: (i) Technical Assistance and Capacity Building; (ii) Solid Wastage Management; (iii) Slum Upgrading; (iv) Commercial Infrastructure; (v) Public Infrastructures Rehabilitation
Project duration	The Project started actively on 12 th March,2012 up to 30 June, 2022

2.4 Bankers

The Project banks at:

Diamond Trust Bank Kenya Ltd
 West End Mall Branch, Jomo Kenyatta Highway
 P.O Box 1081-40100, Kisumu
 Account No.0075090002

2.5 Independent Auditor

The Project is audited by the Independent Office of Auditor General.

Address : 3rd Floor, Anniversary Towers, University Way, P.O Box 30084-00100 Nairobi

Email : info@oagkenya.go.ke **Hotline:** +254 708 000555 **Phone :** +254 20 3214000

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Mr.Michael Abala Wanga	City Manager	Masters in Business Administration	Project Manager
CPA. Evans Otieno	City Finance Officer	CPA(K),B Com	Finance Officer
Mr. Charles Omollo	Projects Administrative Officer	B Com, MBA ongoing	Project Coordinator
CPA. Lennox Jalang'o	City Projects Accountant	CPA(K),BBA	Project Accountant

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

2.7 Funding summary

The Project was set for a duration of 10 years, from 2012 to 2022, with an approved budget of €40 million (Donor currency) equivalent to Kshs 4.0 billion as highlighted in the table below:

Source of funds	Development Partner Commitment		Amount received to date – 30th June 2025		Undrawn balance as at 30 th June 2025	
	Development Partner Currency (€)	Domestic Currency KShs	Development Partner Currency (€)	Domestic Currency KShs	Development Partner Currency (€)	Domestic Currency KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
AFD	€40M	Ksh.4.0B	€34.613M	Ksh.3.962B	€0.198M	Ksh.27.06M
Total	€40M	Ksh. 4.0B	€34.613M	Ksh.3.962B	€0.198M	Ksh.27.06M

Note:

The Donor transferred and paid a total of €34.613 million as summarized below

S.NO.	DETAILS	AMOUNT (€)
1	Project Advance Account Transfers (PAA)	28,557,844
2	Cash Expenditure Fund Transfers (CEF)	184,119
3	Direct payments	5,871,160
	TOTAL	34,613,123

Kisumu Urban Project - Project Advance Account

Annual Report and Financial Statements for the financial year ended June 30, 2025

A. Source of Funds

Source funds of	Development Partner Commitment		Amount received by the Ministry to date – 30 th June 2025		Undrawn balance as at 30 th June 2025	
	Development Partner Currency €	Domestic Currency Kshs.	Development Partner Currency €	Domestic Currency Kshs.	Development Partner currency €	Domestic Currency Kshs.
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(ii) Grant						
AFD	€40M	Ksh.4.0B	€34.613M	Ksh.3.962B	€0.198M	Ksh.27.06M
(iii) Loan						
AFD	-	-	-	-	-	-
(iv) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	€40M	Kshs.4.0B	€34.613M	Kshs.3.962B	€0.198M	Kshs.27.06M

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

B. Application of Funds

Application of funds	Amount received to date - 30 th June 2025		Cumulative amount paid to the Project to date -30 June 2025		Transferred balance to date 30 th June 2025	
	Development Partner Currency €	Domestic Currency Kshs.	Development Partner Currency €	Domestic Currency Kshs.	Development Partner Currency €	Domestic Currency Kshs.
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(v) Grant						
AFD	€34.613M	Kshs.3.962B	€35.23M	Kshs.3.203B	€0.198M	Ksh.27.06M
(vi) Loan	-	-	-	-	-	-
(vii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	€34.613M	Kshs.3.962B	€35.23M	Kshs.3.203B	€0.198M	Ksh.27.06M

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) *Budget performance against actual amounts for the current year and for cumulative to-date.*

	Budget	Actual on comparable basis	Performance difference	% of utilisation	Cumulative to date 30 th June 2025
	KShs.	KShs.	KShs.	KShs.	
	A	b	c=(a-b)	d=(c/b)	
Receipts		KShs.	KShs.	KShs.	KShs.
Transfers from State Department of Housing and Urban Development	-	-	-	-	3,203,712,465
Total Receipts	-	-	-	-	3,203,712,465
Payments					
Purchase of goods and services	-	(1,200)	(1,200)	-	1,197,393,134
Transfer to CEF	-	-	-	-	39,781,887
Acquisition of Non Financial Assets	-	-	-	-	1,665,446,873
Refund of performance bond	-	-	-	-	15,150,115
Total Payments	-	1,200	(1,200)	-	2,917,772,009
Surplus for the period	-	(1,200)	(1,200)	-	285,940,456

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

- ii) *Physical progress based on outputs and outcomes since project commencement.*
- iii) *Indicate the absorption rate for each year since the commencement of the project*

KUP PROGRESS TABLE -

Assignment Details	Contract Amount (Kshs)	Contractor	Status	Progress	Completion Date	Action
Completed Works, Services and Supplies						
CAA external Audit	6,084,154	Matengo and Associates	complete	100%		
Review of Kiswamp	8,605,000	Africa waste and environment Mngt Centre	complete	100%		
Decommissioning audit of Kachok	11,535,150	E-Cue Associates	complete	100%		
ESIA for civil works	8,302,000	Safe Environment Consultancy Ltd	complete	100%		
ESIA for building works	7,629,650	Rutal Water and Sanitation Organisation	complete	100%		
GIS office furniture	794,550	Bena General Merchants	complete	100%		
Land fill sitting study	5,707,200	Log Associates	complete	100%		
ISUD Plan(€ 271,790)	29,896,900	Nodalis Conceil	complete	100%		
Masonry fence and other improvements at KUP	1,700,000	Legend Contractors	complete	100%		
Temporary KUP office renovation	1,640,529	Rirkos Contractors	complete	100%		
28No High mast floodlights	124,506,189	Match Electricals Ltd	complete	100%		
KUP Secretariat ICT	1,650,000		complete	100%		
KUP Secretariat Project Vehicles	21,179,000	CMC Kenya Ltd	complete	100%		
Construction of Kakoth bridge	24,951,166	Calmex Construction Services Ltd	complete	100%		
Bio Centres	20,848,618	Umande Trust	complete	100%		
Satellite Imagery and Digital Mapping	7,991,830	Regional Centre for mapping and	complete	100%		

Kisumu Urban Project - Project Advance Account

Annual Report and Financial Statements for the financial year ended June 30, 2025

		resources for development				
Hand tools and branded protective wares	4,956,000	Nyolas Enterprises	complete	100%		
Construction of Health Centre at Lumumba Phase 1	133,769,275	Chaju Builders Ltd.	complete	100%		
Supply of Motorcycles	3,159,000	Rockey Africa Ltd	complete	100%		
Design and supervision of construction of schools	31,626,535	Maestro Architects	complete	100%		
KUP TAT n° 1 2012/2016 (€ 731,050)	327,726,000	Sofreco	complete	100%		
Upgrade to gravel Otonglo - Prison - Auji - Pundo Rds	134,817,360	Esiko Kenya Enterprises Limited	complete	100%		
Design and supervision of construction of Jubilee Market	27,464,349	AAKI Consultants	complete	100%		
Design and supervision of construction of Kibuye Market	27,373,500	Dama Services	complete	100%		
Expansion of KUP Offices-Force Account	1,878,674	Force Account	complete	100%		
Upgrade to bitumen Kaloleni State Rds (Lot 3)	73,748,344	M'Big Ltd.	complete	100%		
Rehabilitation of Kisumu Social Centre	76,183,912	Watiti Contractors	complete	100%		
Schools construction-Got Nyabondo Primary School	104,260,400	Guumba Contractors	complete	100%		
Schools construction-Rweya Primary School	123,927,917	Comacon ltd.	Complete	100%		
ToK ICT Equipment and Training	21,700,206	Joworld Ltd	complete	100%		
Design and supervision of construction of gravel rds	30,544,640	ITEC Engineering Ltd	complete	100%		

iv) *List the implementation challenges and recommend the next steps.*

I. A fragile governance system

Management was organized in three layers: a steering committee, a management committee and a KUP secretariat, supported by technical assistance. In practice, this organization wasn't fully respected. The KUP Secretariat ensured the daily management of the program with the support of the TAT, but suffered from inadequate staffing. Indeed, none of the staff appointed to the secretariat was fully dedicated to the project, and all of them had to split their time between the KUP and other duties.

The KUP secretariat also suffered from important turn over due to staff transfers, which limited its capacity to lead and manage the project efficiently. Finally, according to the interviews led by the Consultant, the secretariat wasn't formally organized and lacked structuring. Its members would come and go whenever they were available without much anticipation and coordination. The Steering Committee (composed of members from the civil society, residents, private stakeholders) was supposed to meet every four to six months. It only met a few times, mainly before devolution.

When the County was created, the Steering Committee was no longer a priority and the frequency of the meetings diminished overtime. Moreover, the chairing of the committee by the city or county wasn't clear. This limited the implication of non-state actors in the supervision of the project, and rendered the communication with decision makers more complicated. The Management Committee, composed of heads of different city departments, was to meet on a monthly basis. However, as the majority of department heads were members of the KUP secretariat, the operational decisions were mainly taken at the secretariat. The City manager was already represented at the KUP secretariat and the TAT was also participating in its meetings. The Management Committee therefore became obsolete.

Moreover, the role of the national government and especially of the SDHUD was very limited. According to the SDHUD, they could have provided technical backstopping and monitoring of the project if a budget had been provided for it. This could have mitigated the capacity gap at city level and reduced the delays which occurred during the course of the project.

The devolution process strongly impacted the KUP governance framework, as the Mayor was replaced by a City manager appointed by the Governor. The City remained technically with the project, but the political leadership was transferred to the County, thus adding a layer in the governance framework and complexional decision making. It also led to political interference. Indeed, then newly elected Governor attempted to widen the geographical scope of the project outside of the city's boundaries and to transfer the implementing agency to the County. The CFA prevented such changes but it caused a lot of delays. The County ended up negotiating an adjustment of the procurement plan to lower the amounts of the contracts, in order for local firms to be able to compete. For all these reasons, and as mentioned by one of the stakeholders interviewed by the Consultant: "not much took place during the first 5 years of the project".

2. A useful but oversized TAT

With unclear mandate The TAT played an essential role in the implementation of the project, as the municipal staff didn't have all the necessary capacities at the time, and wasn't able to dedicate enough time to the management of the project. It supported the KUP secretariat in the daily management of the project and provided quality assurance. It was also expected to review and validate the documents that were sent to AFD for no objection. The TAT also provided on-the-job training to the KUP secretariat which strongly contributed to build the capacities of its members.

However, according to the FGD led with the municipal staff, the TAT was largely oversized and ended up eating a large share of the budget for limited impacts. Indeed, although some consultants played a key role in the successful implementation of the sub-projects and worked hands in hands with the municipality, others remained idle due to insufficient workload and tensions between the two members of the consortium. This partly explains the over costing of the TAT, which forced the city and AFD to limit intervention during the last years of the project, even though its support would have been useful. According to city staff, an output-based contract would have enabled a more efficient management of the TA resources, rather than a time based contract. Moreover, still according to city staff, the pay gaps between the consultants and the KUP secretariat members, added to the workload discrepancies, were sources of tensions between both parts and negatively impacted the motivation and implication of the KUP secretariat.

Finally, still according to city staff, the role and position of the TAT within the project governance framework wasn't clear enough, especially regarding the relationship with AFD. Indeed, the TAT ended up playing a role of quality gate keeper for AFD, and developed direct relationships with them, when it was meant to be managed by the city. This generated a sense of competition between the city and the consultants in their relationship with AFD, and sometimes created tensions.

According to the ministry, there was also competition between the consultants of the TAT and the ministry staff in providing technical backstopping. Indeed, according to the ministry, its staff would have been able to provide more support to the KUP secretariat, but wasn't given any means for the technical supervision of the project.

3. Difficulty to comply with AFD requirements and lack of staffing on AFD side, which generated serious delays in project validation and completion. Even though the project followed national procedures, it also had to comply with AFD requirements, especially regarding financial management, procurement and E&S safeguards. To ensure the compliance of the project with these requirements, AFD was to provide no-objections for disbursement of funds and procurement, and thus at almost every step of the process (drafting of the terms of Reference, preparation of tender documents and notice, evaluation of proposals, draft of contracts, etc.).

Before the requests for no-objection by the city, the documents also had to be reviewed and validated by the TAT. According to city staff, these procedures were very time consuming (a delay of one week to a few months was necessary to obtain a feedback from AFD on each request for no-objection) and caused a lot of delays. This was due both to the fact that the city staff wasn't familiar with the requirements, and to a lack of responsiveness on AFD side, due to important turnover and inadequate staffing. It was aggravated by the number of contracts (80 in total) because of the city's low capacity to manage the contracts and the needs for addendum because of issues in design and planning of projects.

Accordingly, AFD did try to limit the number of no-objections (that can be estimated at 600 during the course of the project) through the establishment of the cash project account or the limitation of validation by AFD staff but one can say that AFD overestimated its capacity to respond to no-objection request in time.

However the city staff acknowledged that the AFD requirements, despite being “painful”, strongly contributed to build their capacities in project management, especially for the management of future donor funded projects. The city staff also stressed the fact that the donor conditions weren’t properly understood by the politics, which put a lot of pressure on the city manager and KUP secretariat, and that there was a lack of clear time frame for the obtainment of the no-objections, which led them to sometimes have the feeling that the project was out of their control. For future projects, it seems important to clearly explain the purpose and implementation modalities of these requirements to both decision makers & city staff, to avoid misunderstanding (donor control is important for accountability and quality assurance, but needs to be understood), and to elaborate a clear time frame for the no-objection procedures, which all stakeholders would have to comply with.

The Project also struggled to comply with the E&S requirements, mostly for a question of familiarity with such requirements, and capacity to handle the different contracts. For this reason, some E&S studies were launched during or after the project design studies, when they should have been launched previously. Indeed, the final reports of consultancy services for RAP studies, environmental and social management plan reviews, socioeconomic feasibility studies and socioeconomic feasibility reviews for the KUP building and civil works projects were delivered in June 2019, meaning after the delivery of the schools (completed between 2013 and 2019), the Lumumba Hospital (completed in March 2019), and the floodlights (installed between 2014 and 2015). This sometimes obliged the project designers to modify the project designs later on, after completion of the studies, and also caused some delays.

4. Heavy Financial management framework

The framework which was set-up at the start of the project was very heavy and caused major delays in the requests for draw down and the payment of the consultants. For this reason, a Project Advance Account (PAA) was created (see §2.3.3.1) through a first amendment to the CFA. The creation of the PAA allowed the city to pay consultants, contractors and suppliers based on an estimated budget, rather than going through the complex payment process. It was a rapid response to the problems encountered and enabled to quickly improve the efficiency of the payment process

2.9 Summary of Project Compliance:

- i) Include significant cases of non-compliance with applicable laws and regulations, e.g., treasury circulars on project investment management, PFM Act 2012 and Kenya Vision 2030 flagship projects, and essential external financing agreements/covenants.*
- ii) Include consequences suffered on account of non-compliance or likely to be suffered.*
- iii) Indicate mitigation measures taken or planned to alleviate the adverse effects of actual or potential consequences of non-compliance.*

As the department of City of Kisumu and as implementers of the project there was full compliance with applicable laws and regulations, e.g., treasury circulars on project investment management, PFM Act 2012 and Kenya Vision 2030 flagship projects, and essential external financing agreements/covenants,

There were no consequences suffered on account of non-compliance or likely to be suffered.

3. Statement of Performance against Project’s Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity’s performance against predetermined objectives.

The key development objectives of the Kisumu Urban Project plan are to:

- (i) promoting an inclusive and sustainable development in Kisumu
- (ii) Improvement of land management and urban planning.
- (iii) rehabilitation and creation of public facilities and infrastructure.
- (iv) Build the capacity of the Staff and members of the Project.

Progress on the attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bund (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kisumu Urban Project	(i) Promoting an inclusive and sustainable development in Kisumu County	Increased efficient transportation of people, goods and services, urban planning, streetlights, extended business hours, increased access to other service centre.	1.Number of bitumen roads build.	In FY 2024/2025 project funds were utilized to provide various services geared towards achievement of the set objectives of the Project.
	(ii) Improvement of land management and urban planning.		2.Streetlights constructed along the bitumen roads	
	(iii) Rehabilitation and creation of public facilities and infrastructure.		3.Urban planning enhanced since there is master urban plan	
	(iv) Build the capacity of the Staff and Project team		4.Number of staff trained on key result areas.	

4. Environmental and Sustainability Reporting

The Kisumu Urban Project exists to transform lives. This is our purpose; the driving force behind everything we do. It is 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 City is in the process of becoming semi-autonomous. There is an independent City Board already appointed in line with the Laws and regulations.

Both the National and the County Governments are committed to sustainable development partnership with the City through the State Department of Housing and Urban Development

New, highly skilled and competent staff are in place to support the vision with a strong oversight of the Internal Audit Department

The following factors form part of our major challenges:

a) Inadequate budgetary allocation

The city of Kisumu heavily struggles to meet its operational costs resulting in lack of implementation of the key projects due to inadequate budgetary allocation.

b) Inadequate resources

Human and capital resource are a challenge with most of the resources being held by County Executive in functions that are yet to be transferred. This has made operations of the City to be in serious difficulty as staff, machinery and equipment keep on oscillating between the City and the County Government.

c) Delay in Payments /Inadequate cash disbursement

Government financial transfers have been quite unpredictable. Most programs slowing down. Timely disbursements will go a long way in boosting our operations and development in a more sustainable manner

2. Environmental performance

The Kisumu Urban Project draws its mandate from the Constitution of Kenya 2010, County Government Act, EMCA 1999 (Cap 387) and Urban Areas & Cities 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 City has embarked on a City-wide greening initiative to enhanced tree cover and mitigate the effect of the Climate Change.

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.

3. Employee welfare

The Management guided by the Kisumu County Human Resource Manual takes matters of staff welfare very seriously. Deliberate efforts have been made to build the capacity of the staff through training, implementation of the labour laws requirement and provision of socioeconomic support where necessary.

The Kisumu Urban Project has training 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.

4. Market place practices-

- (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.
- (iv) Prepare Annual Procurement Plan as per the approved Budget
- (v) Maintain the list of the Registered Suppliers
- (vi) Keep procurement records
- (vii) Maintain Stores records

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.
- (iv) Prepare Annual Procurement Plan as per the approved Budget
- (v) Maintain the list of the Registered Suppliers
- (vi) Keep procurement records
- (vii) Maintain Stores records

b) Responsible ethical practices

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
And these are minuted and entered into Conflict of Interest Register
None has been noted so far.

c) Regulatory impact assessment

The City has been remitting its statutory deductions to the relevant institutions on time as per the law. Preparations and submission of quarterly financial reports has been adhered to by the City.
The City Board holds its oversight regularly as required by the Urban Areas and Cities Act 2011 and related statutes and policies

Submission of Quarterly and Annually report PPRA (Public Procurement and Regulatory Authority) to the County for onward submission and being audited by the Auditor General, an independent Office under the Constitution

5. Community Engagements

The Kisumu Urban Project holds 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 organized sports like football within wards. The youths are mobilized to form a team and invited to play with other teams.

5. Statement of Project Management Responsibilities

The management of Kisumu Urban Project and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2024.

This responsibility includes:

- (i) Maintaining adequate financial management arrangement 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 project,
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud,
- iv) safeguarding the assets of the project,
- v) Selecting and applying appropriate accounting policies and
- vi) Making accounting estimates that are reasonable in the circumstances.

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

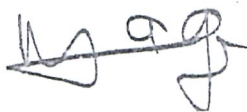
The Management of Kisumu Urban Project and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Management of Kisumu Urban Project and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. The team further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

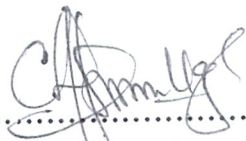
The Management of Kisumu Urban Project and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

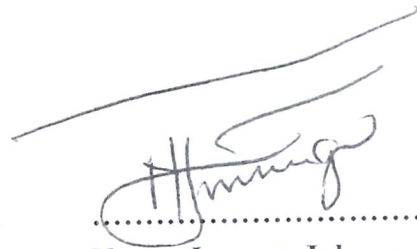
The Project financial statements were prepared and approved on 21st August 2025 as below:



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



.....
Name: Charles Omollo
Project Coordinator



.....
Name: Lennox Jalango
Project Accountant
ICPAK Member No:9392

REPUBLIC OF KENYA



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

Phone: +254-(20) 3214000
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Website: www.oagkenya.go.ke

REPORT OF THE AUDITOR-GENERAL ON KISUMU URBAN PROJECT (PROJECT ADVANCE ACCOUNT) - CKE 1035.01.G FOR THE YEAR ENDED 30 JUNE, 2025 - COUNTY GOVERNMENT OF KISUMU

PREAMBLE

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

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

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kisumu Urban Project (Project Advance Account) - CKE 1035.01.G set out on pages 1 to 38 which comprise of the statement of financial performance as at 30 June, 2025 and the statement of financial position, statement of changes in net assets, statement of cash flows and the

Report of the Auditor-General on Kisumu Urban Project (Project Advance Account) - CKE 1035.01.G for the year ended 30 June, 2025 - County Government of Kisumu

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kisumu Urban Project (Project Advance Account) - CKE 1035.01.G as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis)] and comply with the Financing Agreement No. CKE 1035.01.G dated 5 July, 2020 and Addendum No.4 dated 19 February, 2020 between the Republic of Kenya and Agence Française de Development (AFD) and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu Urban Project (Project Advance Account) - CKE 1035.01.G Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Information

Conclusion

Management is responsible for the Other Information set out on page v to xxiv which comprise of Project Information and Overall Performance, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting, Community Engagements and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the Lawfulness and Effectiveness in Use of Public Resources, I confirm that nothing else has come to my attention to cause me to believe that public resources have been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Refund Ineligible Expenditure to the Financiers.

A letter from Project financiers, Agence Française de Development (AFD) dated 27 February, 2024 indicated that (AFD), using its own resources had hired the firm of Price Waterhouse Coopers (PWC) to conduct final financial audit of the Project. The letter further indicated that the audit disclosed cumulative ineligible expenditure amounting to Kshs.111,352,253. The AFD had further requested the National Treasury to repay the ineligible expenditure to enable closure of the project. However, management did not provide any evidence of actions being taken to refund the ineligible expenditure to in accordance with the credit agreement to facilitate project closure.

In the circumstances, the management was in violation of the credit agreement.

2. Non-Closure of Project and Handover of Project's Assets

According to the Project Financing Agreement, the deadline for use of funds was 30 June, 2022. However, review of documents provided for audit revealed that there was no handover report for the Project's assets to the Implementing Entity, the City of Kisumu.

Further, during the year under review, no funds were received by the Project and no expenditure was made from the bank account except for a bank charge of Kshs.1,200. The outstanding balance at year end was Kshs.2,197,909. Further, the Project records indicate pending bills of Kshs.31,575,700 at as 30 June, 2025.

Although the project's bank account was closed on 27 June, 2025, and the pending bills were indicated to have been transferred to the City of Kisumu, there is no evidence that ineligible expenditure amounting to Kshs.111,352,253 has been settled.

In the circumstances, the closure of the project could not confirm.

The audit was conducted in accordance with the ISSAI 3000 and ISSAI 4000. The Standards 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the Financing Agreement No. CKE 1035.01.G dated 5 July, 2020 and Addendum No.4 dated 19 February, 2020 between the Republic of Kenya and Agence Francaise de Development (AFD), I report based on my audit that:

- i. 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.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The French Development Agency (FDA) requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Management

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an

effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

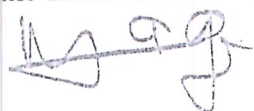
08 October, 2025

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	-
Miscellaneous Revenue	7	-
Total revenue		0
Expenses		
Employee costs	8	-
Use of goods and services	9	1,200
Depreciation and amortization expense	10	-
Transfer to other Government Entities	11	-
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	-
Acquisition of non-financial assets		-
Refund of performance bond		-
Total expenses		1,200
Other gains/(losses)		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
Surplus/ (deficit)		(1,200)

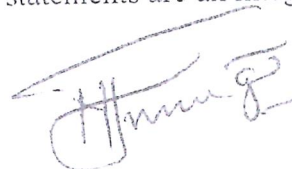
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



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



.....
Name: Charles Omollo
Project Coordinator



.....
Name: Lennox Jalang'o
Project Accountant
ICPAK Member No: 9392

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

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

	Note	2024/2025	1 st July, 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	17	-	2,200,309
Receivables	18	-	-
Inventories	19	-	-
Prepayment	20	-	-
Total Current Assets			2,200,309
Non-Current Assets			
Property, Plant and Equipment	20	-	-
Intangible Assets	21	-	-
Certified work		-	
Total Non- Current Assets		-	-
Total Assets (a)		-	2,200,309
Liabilities			
Current Liabilities			
Trade and Other Payables	23	-	-
Third Party Deposits	24	-	
Deferred Income			-
Total Current Liabilities		-	-
Total Liabilities (b)		-	-
Net Assets (a-b)		-	2,200,309
Represented By:			
Fund Balance b/f		2,199,109	2,200,309
Transfers to the Ministry		(2,197,909)	-
Accumulated Surplus		(1,200)	(1,200)
Total Net Assets		-	2,199,109

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

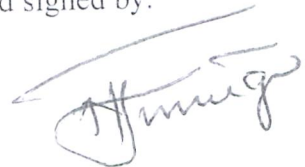
The financial statements were approved on 21st August, 2025 and signed by:



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



.....
Name: Charles Omollo
Project Coordinator



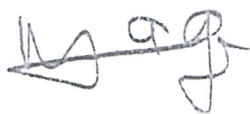
.....
Name: Lennox Jalang'o
Project Accountant
ICPAK Member No.9392

9. Statement of Changes in Net Assets

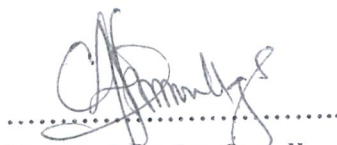
Description	Accumulated Surplus
	Kshs
As at 1 st July 2024	2,200,309
Adjustments:	
Asset Recognition	
Liabilities recognition	(1,200)
As at 30 th June 2024	2,199,109
Surplus/(Deficit) for the year	(1,200)
Transfer to National Treasury - CBK Alc.no. 1000182137	(2,197,909)
As at 30 th June 2025	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

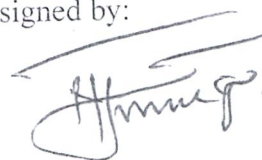
The financial statements were approved on 21st August, 2025 and signed by:



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Name: Abala M. Wanga
City Manager



.....
Name: Charles Omollo
Project Coordinator



.....
Name: Lennox Jalang'o
Project Accountant
ICPAK Member No.9392

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

10. Statement of Cash flow for the year ended 30th June 2025

Description	Note	2024/2025	1 st July, 2024
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Revenue Transfers		-	-
Miscellaneous Revenue		-	-
Total receipts		0	0
Payments			
Employee costs		-	-
Use of goods and services		1,200	1,200
Transfer to other Government Entities		-	-
Other Transfers/Subsidies/Grants		-	-
Certified Works		-	-
Total payments		1,200	1,200
Net cash flow from operating activities	26	(1,200)	(1,200)
Cashflow from investing activities			
Acquisition of non-financial assets		-	-
Proceeds from sale of Assets		-	-
Acquisition of Intangible assets		-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Transfer to the National Treasury		2,197,909	-
Net cash flow from financing activities		(2,197,909)	-
Net increase/Decrease in cash and cash equivalents		(2,199,109)	(1,200)
Cash and cash equivalent at the beginning of the year	17	2,199,109	2,200,309
Cash and cash equivalent at the year end	17	-	2,199,109

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods						
Receipts						
Revenue Transfers				-		
Miscellaneous Revenue				-		
Total Revenue				0		0%
Payments						
Employee costs				-		
Use of goods and services				1,200		
Transfer to other Government Entities				-		
Other Transfers/Subsidies/Grants				-		
Certified Works				-		
Total Payments				1,200		
Surplus				(1,200)		

Annual Report and Financial Statements for the financial year ended June 30, 2025

Budget notes

1. Provide a commentary on significant underutilization (below 90% of utilization) and any overutilization (IPSAS 24.14)

Budget Reconciliation

	Description of Particulars	Amount in K.shs
	Actual Surplus /Deficit amounts as per the statement of Budget	(1,200)
1	Purchase of goods and services	-
2	Transfer to National Treasury	(2,197,909)
3	Bank balance at the beginning of the year	2,199,109
4	Project closure	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	0

2. Provide an explanation of changes between the original and final budget, indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
 Kshs.1,200 only was incurred on bank charges after transfer of Kshs.2,197,909 only to the National Treasury following full Project closure on 27th June,2025.

12. Notes to the Financial Statements

1. General Information

The Kisumu Urban Project is established by and derives its authority and accountability from Urban Areas and Cities Act. The Kisumu Urban Project is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is provision of public services

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 21st August,2025

3. Adoption of New and Revised Standards

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash-flows of an Entity.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p> <p>No impact because the Standard was never adopted due to permanent project closure</p>

**Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Standard	Effective date and impact
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No impact because the Standard was never adopted due to permanent project closure</p>
<p>IPSAS 45- Property Plant and Equipment</p>	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognize as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>No impact because the Standard was never adopted due to permanent project closure</p>
<p>IPSAS 46 Measurement</p>	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>No impact because the Standard was never adopted due to permanent project closure</p>

**Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p>No impact because the Standard was never adopted due to permanent project closure</p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p>No impact because the Standard was never adopted due to permanent project closure</p>
IPSAS 49- Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p>No impact because the Standard was never adopted due to permanent project closure</p>

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Standard	Effective date and impact:
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p>Applicable 1st January 2027</p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p>No impact because the Standard was never adopted due to permanent project closure</p>

iii) Early adoption of standards

The Kisumu Urban Project did not adopt the following standards because the project is on permanent closure

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for 2024/2025 was approved by the Project Team on 21st August, 2025. 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 entity upon receiving the respective approvals to conclude the final budget. The Kisumu Urban Project'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 cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. 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 in these financial statements.

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23 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity 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.

24 Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

25 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

Notes to the financial statements

g) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:
➤ The technical feasibility of completing the asset so that the asset will be available for use or sale.

- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

g) Financial instruments

IFRSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Financial assets

Classification

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

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Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

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 Kisumu Urban Project

Provisions

Provisions are recognized when the Kisumu Urban Project 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 Kisumu Urban Project 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.

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Contingent liabilities

The Kisumu Urban Project 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.

Contingent assets

The Project 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 Kisumu Urban Project 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.

3) Nature and purpose of reserves

The Kisumu Urban Project creates and maintains reserves in terms of specific requirements.

4) Changes in accounting policies and estimates

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

4) Employee benefits

Retirement benefit plans

The Kisumu Urban Project provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund 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 benefit funds are actuarial valued trio-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. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

n) Borrowing costs

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

o) Related parties

The Kisumu Urban Project 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 Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

p) Service concession arrangements

The Kisumu Urban Project analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Kisumu Urban Project recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Kisumu Urban Project also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

a) **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 the Central Bank of Kenya and at various commercial banks at the end of the financial year.

b) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Kisumu Urban Project 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.

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 Kisumu Urban Project 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

- The condition of the asset based on the assessment of experts employed by the Kisumu Urban Project
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

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Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Notes.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(Include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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Notes to the financial statements

6. Revenue Transfers

Description	2024/2025 KShs
Unconditional Transfers	
GoK Counter Part funding	-
Transfers from Development partners	-
<i>Other unconditional transfers (Specify)</i>	-
Total Unconditional Transfers (a)	-
Conditional Transfers	
Transfers from Development partners 1	-
Transfers from Development partner 2	-
<i>Transfer from the Ministry</i>	-
<i>Other conditional transfers (specify)</i>	-
Total Conditional Transfers (b)	-

(Explain the purpose of funding)

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ii) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers 2024/2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	-	-	-	-
Development Partner 1	-	-	-	-
Development Partner 2	-	-	-	-
Subtotal	-	-	-	-
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	-	-	-	-

7. Miscellaneous revenue

Description	FY 2024/25
	Kshs
Interest Income	-
<i>Others (specify)</i>	-
Total	-

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Notes to the financial statements

3. Employees Costs

Description	FY 2024/25 Kshs
Basic salaries of permanent employees	-
Basic wages of temporary employees	-
Personal allowances paid as part of salary	-
Personal allowances paid as reimbursements	-
Personal allowances provided in kind	-
Pension and other social security contributions	-
Compulsory national social security schemes	-
Compulsory national health insurance schemes	-
Other specify*	-
Total	-

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9. Use of Goods and Services

Description	FY 2024/25
	<u>Kshs</u>
Utilities, supplies and services	-
Bank charges	1,200
Communication, supplies and services	-
Domestic travel and subsistence	-
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	-
Office rent	-
Training payments	-
Hospitality supplies and services	-
Insurance costs	-
Specialized materials and services	-
Other operating payments(specify)	-
Routine maintenance – vehicles and other transport equipment	-
Routine maintenance- other assets	-
Total	1,200

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Notes to the financial statements

10. Depreciation and Amortization expense

Description	FY 2024/25 Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Total	-

11. Transfer to Other Government Entities

Description	FY 2024/25 Kshs
The National Treasury - CBK Alc.no. 1600182137	2,197,909
Kisumu Urban Project - Cash Expenditure	-
Department	-
County	-
Total	2,197,909

12. Other Transfers/Subsidies/Grants

Description	FY 2024/25 Kshs
Transfers to Non-Government Organizations	-
Subsidies	-
<i>Others Specify</i>	-
Total	-

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13. Certified Works

Description	FY 2024/25 Kshs
Road Works	-
Water Works	-
Energy Infrastructure	-
<i>Others Specify</i>	-
Total	-

14. Gain/Loss on Sale of Assets

Description	FY 2024/25 Kshs
Property, plant and equipment	-
Intangible assets	-
Other assets not capitalised	-
Total gain/loss on sale of assets	-

Provide brief explanation on gains on sale of fixed assets)

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15. Gain/Loss on foreign exchange transactions

Description	FY 2024/25
	Kshs
Gain on foreign exchange transactions	-
Loss on foreign exchange transactions	-
Total Gain/Loss	-

16. Impairment Loss

Description	FY 2024/25
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
<i>Others specify</i>	-
Total Impairment Loss	-

17. Cash and Cash Equivalent

Description	FY 2024/25	1 st July, 2024
	Kshs	Kshs
Cash in Bank	-	2,199,109
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalent	-	2,199,109

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Project Bank Accounts

Details	FY 2024/25	1 st July, 2024
	Kshs	Kshs
Local Currency Accounts	-	-
Diamond Trust Bank - Alc. No. 0075090002	-	2,199,109
Total local currency balances	-	-
Total bank account balances	-	<u>2,199,109</u>

18. Receivables

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
<i>Other Receivables (specify)</i>	-	-
Total Receivables	-	-

(Provide brief explanation on current receivables)

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Ageing analysis for Receivables

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
	2024/2025	% of the total	Comparative 2023/2024	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

19. Inventories

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Consumable stores	-	-
Construction stores	-	-
Others consumables (specify)	-	-
Less: allowance for impairment	-	-
Total inventories	-	-

(Provide brief explanation on inventories)

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20. Prepayments

Description	2024/2025		1 st July 2024
	Kshs		Kshs
Insurance	-	-	-
Rent	-	-	-
<i>Others specify</i>	-	-	-
Total inventories	-	-	-

21. Property, Plant and Equipment

Description	Motor vehicles		Furniture and fittings		ICT Equipment		Other Assets (specify)		Capital Work in progress		Total
	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	X%	Kshs	Kshs	
Depreciation rate	-	-	-	-	-	-	-	-	-	-	-
As At 1 July 2024 (opening balances)	-	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 30 th June 2025	-	-	-	-	-	-	-	-	-	-	-
Depreciation And Impairment											
As at 1 July 2025	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-	-	-	-	-	-
As At 30 th June 2025	-	-	-	-	-	-	-	-	-	-	-
Net Book Values											
As at 1 st July 2024	-	-	-	-	-	-	-	-	-	-	-
As at 30 th June 2025	-	-	-	-	-	-	-	-	-	-	-

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Notes to the financial statements

22. Intangible Assets

Description	1 st July 2024
	Kshs
Cost	
As at 1 st July 2024	-
Additions	-
As At 30 th June 2025	-
Amortization and impairment	
As at 1 st July 2024	-
Amortization	-
Impairment loss	-
As At 30 th June 2025	-
NBV as at 1 st July 2024	-
NBV as at 30 th June 2025	-

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23. Trade and Other Payables

Description	2024/2025		1 st July, 2024	
	Kshs		Kshs	
Trade payables	-		31,575,700	
Employee payables	-		-	
<i>Archelis Limited</i>	-		-	
Total trade and other payables	-		31,575,700	
	FY	% of the	Comparat	% of the
Ageing analysis: (Trade and other payables)	2024/25	Total	ive	Total
			FY	
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

(Provide brief explanation)

Archelis Limited 's VAT claim of Kshs.6,858,600 only was included resulting into total pending bills of Kshs.38,434,300 (thirty eight million four hundred and thirty four thousand three hundred only which have been transferred to the City of Kisumu following the Project permanent closure.

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Notes to the financial statements

24. Third-Party Deposits

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
<i>Other deposits (specify)</i>	-		-	
Total deposits	-		-	
Ageing analysis: (Refundable deposits)	2024/2025	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

(Provide brief explanation)

25. Deferred Income

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
Development partner 1	-		-	
Development partner 2	-		-	
<i>Others specify</i>	-		-	
Total Deferred Income	-		-	

(Provide brief explanation)

Deferred Income Movement Schedule

	Development Partner 1	Development Partner 2	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 st July 2024	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30 th June 2025	-	-	-	-

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Notes to the financial statements

26. Cash Generated from Operations

Description	FY 2024/25
	Kshs
Surplus/Deficit for the year	(1,200)
Adjusted for:	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	-
Increase in payments received in advance	-
Net cash flow from operating activities	(1,200)

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

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27. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	FY 2024/25	1 st July 2024
	Kshs	Kshs
(i) A/c Name [A/c No.....]		
Opening balance	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn	-	-
Closing balance (as per SDA bank account reconciliation attached)	-	-

(The Project maintained No Special Deposit Account(s) reconciliation statement(s)).

28. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Kisumu Urban Project 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.

Government of Kenya

The Government of Kenya is the principal shareholder of the Kisumu Urban Project, holding 100% of the Kisumu Urban Project equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Description	FY 2024/25
	Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
Total	-
B) purchases from related parties	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-
Rent expenses paid to govt agencies	-
Others (specify)	-
Total	-
b) Grants /transfers from the government	
Grants from national govt	-
Grants from county government	-
Donations in kind	-
Total	-
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for xxx employees	-
Payments for goods and services for xxx	-
Total	-
d) Key management compensation	
Directors' emoluments	-
Compensation to key management	-
Total	-

29. Events after the Reporting Period

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

30. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Lands, Physical Planning, Housing and Urban Development. Its ultimate parent is the Government of Kenya.

31. Currency

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

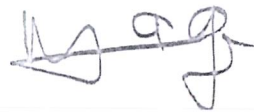
13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

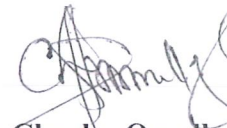
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
Emphasis of Matter	Project Management Team to commence closure of Project	Project fully closed and closure reports submitted for audit	Resolved	Within the last quarter 2024/2025

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the time frame with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Name: Abala M. Wanga
City Manager



Name: Charles Omollo
Project Coordinator

Annex 2: Reconciliation of inter-entity transfers

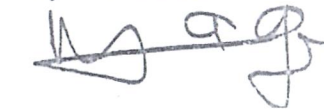
Project Name: Kisumu Urban Project			
Break down of transfers from the State Department of 2025			
A. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	2024/2025
		-	
	Total	0	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	2024/2025
	Bank charges	1,200	
	Total	1,200	
C. Others			
	Bank Statement Date	Amount (Kshs)	2024/2025
	Transfer to National Treasury -CBK Acc.no. 1000182137	2,197,909	
		-	
	Total	2,199,109	
	Total (A+B+C)	2,199,109	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
 Kisumu Urban Project

Sign 

Head of Accounting Unit
 City of Kisumu


 Sign-----


Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land	-	-	-	-	-
Buildings and structures	-	-	-	-	-
Transport equipment	-	-	-	-	-
Office equipment, furniture and fittings	-	-	-	-	-
ICT Equipment	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-
Biological assets	-	-	-	-	-
Infrastructure Assets- Roads, Rails	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Intangible assets	-	-	-	-	-
Work in Progress	-	-	-	-	-
Total	-	-	-	-	-

Annex 4: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2025
- iii. Board of Survey Report

CITY OF KISUMU		KISUMU URBAN PROJECT: PROJECT ADVANCE ACCOUNT		AFD CREDIT NO.CKE 1035.01.G		KUP BANK RECONCILIATION		AS AT 30TH JUNE,2025		A/C NO. 0075090002			
DESCRIPTION								AMOUNT(KSHS.)					
Balance as per Bank Certificate													
1) Less: Payments in Cash Book not yet recorded in Bank Statement													
2) Les. Receipts in Bank statement not yet recorded in Cash Book													
3) Add: Payments in Bank Statement not yet recorded in Cash Book													
4) Add: Receipts in Cash Book not yet recorded in Bank statement													
Balance as per Cash Book													
Difference													
1. PAYMENTS IN CASH BOOK				RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK				2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK					
CHEQUE				DETAILS				AMOUNT (KSHS)					
NO.	DATE	PAYEE	AMOUNT(KSHS)	DATE	DESCRIPTION								
TOTALS													
3. PAYMENTS IN BANK STATEMENTS NOT YET RECORDED IN CASH				4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT									
CHEQUE				DETAILS				AMOUNT (KSHS)					
NO.	DATE	PAYEE	AMOUNT(KSHS)	DATE	DESCRIPTION								
TOTALS				TOTALS									

PREPARED BY

 CPA LENNOX JALANG'O

APPROVED BY

 CPA EVANS OGWENO

PROJECT ADVANCE ACCOUNT
 TRIAL BALANCE AS AT 30TH JUNE 2025

A/C NO. 0075090002

NARRATION	DR. (KSHS)	CR. (KSHS)
Transfer to the National Treasury		2,197,909.00
Purchase of goods and services		1,200.00
Transfer to CEF		
Acquisition of non-financial assets		
Surplus/ deficit for the period		
Diamond Trust Bank accounts:		
Fund balance b/f	2,199,109.00	
Total	2,199,109.00	2,199,109.00

CITY OF KISUMU



KISUMU URBAN PROJECT

Date: 07/07/2025

Report on the survey on the cash and bank balances

of KISUMU URBAN PROJECT as at close of Business

on 30th JUNE 2025.

Board (consisting of)
Charles Ombili - Project Coordinator - Chairperson
Stephen Oketch - Account Assistant - Member
Dilkes Otero - Account Assistant - Member

Assembled at the office

of Project Coordinator at 9:00 (time) on
the July 2025 and the following cash were produced.

Notes N/A Shs. N/A

Coins N/A Shs. N/A

Cheques (as per details on the reverse) Shs. N/A

It was that cheques amounting to Shs. Cnts had been
on the hand for more than 14days prior to the date of survey.

The cash consist of East African currency and does not contain any demonetized coins or notes.

This cash book reflected the following balances as at the close of business on
the 30th JUNE 2025.

Cash in hand N/A Shs. N/A

Bank balances Cashbook Shs. N/A

CITY OF KISUMU



KISUMU URBAN PROJECT

The Bank Certificate of balances showed sum of Kshs.NIL.....

Amounting to the credit of the account on30TH JUNE.....2025.

The difference between this figure and the bank balance as shown by the cashbook is accounted for in the bank reconciliation statement (F.O 30) attached.

[Handwritten signature]

Charles Omollo

Chairman

Date : 07/07/2025

Members of the Board

Charles Omollo

Dickens Otieno

Stephen Oketch

[Handwritten signature]

[Handwritten signature]

.....
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