

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**KISUMU LAKEFRONT DEVELOPMENT  
CORPORATION**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



OFFICE OF THE AUDITOR GENERAL

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## **KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

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

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

## **2. Key Entity Information and Management**

### **a) Background information**

The Kisumu Lakefront Development Corporation was established on August 31, 2021 in accordance with the sections 5 (1), 2 (e), 6 (3), 30 (1) (1), 31 of the County Governments Act, 2012 and section 146 of the Public Finance Management Act, 2012 and sections 2 of the Kisumu County Lakefront Development Act No. 4 of 2021 of the County Assembly of Kisumu. It is headed by the Board of Directors being the heads of the Member Institutions that establish it. The Member institutions as per the Act are the County Government of Kisumu, The trustees of Nyanza Club, the Lake Basin Development Authority (LBDA) the Kenya Ports Authority (KPA), the Kenya Railways Corporation (KRC), and the Kisumu County Chapter of the Kenya National Chamber of Commerce and Industry (KNCCI- Kisumu).

### **b) Principal Activities**

The principal activity/mission/ mandate of the Corporation is Lakefront Development and to develop and manage all Lakefront economic, environmental and social activities by;

Creating a masterplan for the Lakefront

- ii. Developing a policy framework for investments and cooperation.
- iii. Mobilizing funds for development and maintenance of Lakefront facilities.

The FOUR sustainable operation pillars:

- i. Infrastructure Operations which include the execution of the Promenade and related works.
- ii. Maritime Business and Trade Operations will focus on the development of businesses and trade.
- iii. Environment Operations will focus on creating a hospitable environment.
- iv. Support Services are to be provided through project management of the implementation of Kisumu local, physical and land use development plan. Investment attraction and promotion within the County of Kisumu.

### **Vision**

A lake city with a transformed waterfront that is economically inclusive and environmentally sustainable.

### **Mission**

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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We are committed to creating equity and prosperity through strategic development, investment, innovative ideas and strong partnership to accelerate Kisumu's socio-economic diversification and global integration for sustainable development.

**Core Values**

We treat our constituents, partners and each other with respect

We are committed to honesty and integrity

We create a culture of excellence in everything we do

We are good stewards of our resources

We set the standard for leadership in economic development

We believe economic prosperity and

Our competitiveness starts with equity for all.

**c) Board of Trustees/Fund Administration Committee**

During the period under review the membership of the Board of Directors constituted of:

Ref	Position	Name
1.	Chairman of the Board	FCPA Edward Ouko
2.	Secretary to the Board/CEO	Abala M. Wanga
3.	Director/Member	Dr. Raymond Omollo
4.	Director/Member	Ms. Milly Omido rep. proxy of Philip Mainga
5.	Director/Member	Captain William Ruto rep. proxy of Amb. John Mwangemi
6.	Director/ Member	Eng. Israel Agina
7.	Fund Administrator	George Ogol

**d) Key Management team**

The Kisumu Lakefront Development Corporation Day to day management is under the following key persons;

Ref	Position	Name
1	Fund Administrator	-George Ogol
2	Chief Officer	Wilson Abiero
4	Fund Accountant	Leticia Awuor
5	Director Communication &Marketing	Alice Odera
6	Human Resource & Team Lead	Patrick Obora Okoth

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**e) Fiduciary Oversight Arrangements**

Ref	Position	Name
1	Directorate Internal Audit	Mr. Geoffrey Dienya
2	County Assembly of Kisumu	Hon. Elisha Oraro
3	Senate Assembly	Hon. Prof. Tom <u>Ojienda</u>

**f) Registered Offices**

Prosperity Building  
P.O. Box 2738-40100  
9<sup>TH</sup> Floor -Wing A  
Kisumu, Kenya

**g) Fund Contacts**

E-mail: [info@kisumulakefront.co.ke](mailto:info@kisumulakefront.co.ke), [chairman@kisumulakefront.co.ke](mailto:chairman@kisumulakefront.co.ke)  
Website: [www.kisumulakefrontdevelopment.co.ke](http://www.kisumulakefrontdevelopment.co.ke)

**h) Fund Bankers**

Equity Bank Supreme  
P.O Box 2989-40100,  
Kisumu  
Branch

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

The Attorney General  
State Law Office  
Haram bee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

**k) County Attorney**

**IDRIS OMONDI**

County Government of Kisumu.




P.O. Box 2738-40100

9<sup>TH</sup> Floor -Wing A

Kisumu, Kenya

**3. FUND ADMINISTRATION COMMITTEE**

The Board of Directors during the financial year consisted of:

	<p><b>Edward Ouko- Chairperson</b></p> <p><b>Date of Birth:</b> Born on 14 October 1954</p> <p>FCPA Edward Ouko was appointed the Chairman of the board to the Kisumu Lakefront Development Corporation (KLDC)</p> <p>He holds a Bachelor in Commerce Degree (Hons) in Finance and Accounting from The University of Nairobi (UoN). A Fellow Member of the Institute of Certified Public Accountants of Kenya (FCPA) and Fellow Member of the Institute of Chartered Accountants of England and Wales (FACCA) and is a co-opted Council Member of the Institute representing Africa.</p>
	<p><b>Mr. George Owino Ogol-Fund Administrator</b></p> <p><b>Date of Birth:</b> Born on 2<sup>nd</sup> October 1970</p> <p>He holds Bachelors in Commerce Degree, Marketing (Hons), Masters in Business Administration (M.B.A – Finance Option) both from the University of Nairobi (UoN) and a PhD (Finance option) from Jomo Kenyatta College of Agriculture and Technology.</p>
	<p><b>Abala Michael Wanga- Director/Member</b></p> <p><b>Date of Birth:</b> Born on 8<sup>TH</sup> August 1969</p> <p>A holder of Diploma in Health and Medical science from the Kenya Medical Training College, Bachelor in Law LLB (hons) from Kampala International University and Master of Business Administration (MBA) focused in Competitive Strategy on Stake Holders Management on implementation of Universal Healthcare from Strathmore University.</p>

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**Attorney Edris Nicholas Omondi**

**Date of Birth:** Born on 2<sup>nd</sup> October 1985

A holder of a bachelor's degree in Law LLB (hons) from – Karmatak University (India), a Post graduate Diploma in Law from the Kenya School of Law. Also, a Bachelors of Commerce from Karmatak University and Diploma in Computer Applications from Manipal Institute of Computer Education.



**Eng. Israel Agina -Director/Member**

**Date of Birth:** Born on 2<sup>nd</sup> June, 1955

A German trained Engineer, and holds a Diploma in Business Management from Helsinki School of Economics.





**Philip Mainga-Director/Member**

**Date of Birth:** Born on 22<sup>nd</sup> October 1978

A holder in Masters Economics and Masters project planning and Management from the University of Nairobi (UoN).

**4. MANAGEMENT TEAM**

The management during the financial year consisted of:

	<p><b>Mr. George Owino Ogol-Fund Administrator</b></p> <p><b>Date of Birth:</b> Born on 2<sup>nd</sup> October 1970</p> <p>He holds Bachelors in Commerce Degree, Marketing (Hons), Masters in Business Administration (M.B.A – Finance Option) both from the University of Nairobi (UoN) and a PhD (Finance option) from Jomo Kenyatta College of Agriculture and Technology.</p>
	<p><b>Ms. Leticia Awuor- Accountant Officer.</b></p> <p><b>Date of Birth:</b> Born on 2<sup>nd</sup> October 1981</p> <p>A CPA K' finalist, And Bachelor's degree in commerce finance option from Catholic University.</p>

#### **4. Board/Fund Chairperson's Report**

It is my pleasure to present the Kisumu Lakefront Development Corporation (KLDC) financial statements for the period ended 30<sup>th</sup> June 2022. The financial statements present the financial performance of the corporation over the past financial year.

##### **Sustainability**

The Corporation and its Stakeholders are increasingly emphasizing on the need to ensure sustainability for both its Residence and its management and financing capabilities with an objective of ensuring that the funds shall be mobilized resources for its mandate inter alia; Lakefront Development and Investment promotion.

The fund has conducted a basic assessment of available options for feasible financing tools that would assure the fund of its long-term sustainability. The fund has reviewed its current resource mobilization strategies and proposed feasible sustainability financing options.

We are positive the fund will help Stabilise the management and realization of its mandate in the coming financial year, hence stabilise the Economy.

##### **Review of performance**

###### **Income**

The corporation received funding amounting to **KShs. 10,000,000/=** from the County Government and Donations/Sponsorships

###### **Expenditures**

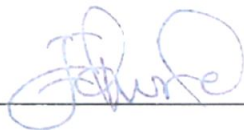
There expenditures incurred during the year amounted to **KShs 9,995,878 /=**

##### **Appreciation**

I take this opportunity to express my sincere gratitude and appreciation to the stakeholders, management and staff for their continued support which made us achieves these results.

I look forward for your continued support in the year 2022/2023.

Signed: \_\_\_\_\_



**Mr. Edward Ouko**  
**Chairperson to the KLDC board**

## **5. Report of The Managing Director**

It is my pleasure to present the Kisumu Lakefront Development Corporation (KLDC) financial statements for the year ended 30<sup>th</sup> June 2023. The financial statements present the financial performance of the fund over the past year.

### **Financial Performance**

#### **a) Revenue**

In the year ended 30<sup>th</sup> June 2023, the fund had projected revenues of KShs20,000,000/=

#### **b) Loans**

During the financial year ended 30<sup>th</sup> June 2023 there were no loan acquired by the fund

#### **Prior year adjustments**

During the Financial year ended there were no prior year adjustments.

#### **Conclusion**

FY 2022/2023 was a good year in general. Good progress was made and the momentum has been created to enable Kisumu County through Kisumu Lakefront Development Corporation (KLDC) continue on a trajectory into prosperity.

I take this opportunity to thank the management committee for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Kisumu County through Kisumu Lakefront Development Corporation (KLDC) achieve its mission.

Signed:  \_\_\_\_\_

**Mr. George Owino Ogol.**  
**Chief Executive Officer**

**Kisumu Lakefront Development Corporation**

## **6. Statement of Performance Against the Corporation's Predetermined Objectives**

### **Introduction**

Section 164 (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 County Government Entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

### **The key objectives of the Kisumu Lakefront Development Corporation (KLDC):**

- (a)** create a master plan for lakefront development;
- (b)** develop policy framework for investment and cooperation along the lakefront;
- (c)** mobilize for funds for the development and maintenance of the lakefront facilities;
- (d)** approve land allocation(s) and development plans at the lakefront in consultation with the National Lands Commission.
- (e)** To have a sustainable lakefront economic, industrial, social and technological development.
- (f)** To carry out infrastructural development along the Lakefront.
- (g)** To improve, develop and expand Maritime services.
- (h)** To carry out Environment conservation.
- (i)** To carry out trade and investment.
- (j)** To promote Partnerships.
- (k)** To promote cooperation.
- (l)** To enhance peaceful coexistence.
- (m)** To promote peaceful settlement of disputes.
- (n)** To enhance intergenerational equity.
- (o)** To support and promote the growth of Industries and
- (p)** Development in Kisumu County and the Country at large.
- (q)** To set-up firms inclusive all relevant development programs, sustainability elements, technological advancements not limited but inclusive of all investments.
- (r)** To create and manage investments for effective business and industries.
- (s)** To create avenues for investors' access to capital to enable them build their businesses.

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(t) To create and manage project development.

(u) To perform all the activities incidental thereto for the purposes of achieving the objectives of the PARTIES in the Joint Venture.

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
<b>Kisumu Lakefront Development Corporation</b>	To create a master plan for lakefront development	Lakefront 5 Year project operation plan approved by the Board of Directors	Project Plan created and approved	<b>In FY 22/23 KLDC 5 Year Project Operations approved.</b>  <b>Cargo Facility Launched at Kisumu International Airport.</b>
	To perform all the activities incidental thereto for the purposes of achieving the objectives of the PARTIES in the Joint Venture.	Joint Venture with United Green Invest	Joint venture signed	<b>Project at Preliminary Due Diligence phase</b>
	To promote Partnerships	Developed a work plan for Stakeholder engagement in Blue Economy sector	Held stakeholder engagement meetings with Kenya Maritime Authority	<b>Signatory to the Lake Victoria Blue Economy Initiative</b>
	mobilize for funds for the development and maintenance of the lakefront facilities	Held a successful Side event at the 9 <sup>th</sup> Edition Africities Summit	Mobilized funds for side event	<b>Side event Held</b>

## **7. CORPORATE GOVERNANCE STATEMENT**

### **THE FUND**

The Corporation was established on August 31, 2021 in accordance with the sections 5 (1), 2 (e), 6 (3), 30 (1) (1), 31 of the County Governments Act, 2012 and section 146 of the Public Finance Management Act, 2012 and sections 2 of the Kisumu County Lakefront Development Act No. 4 of 2021 of the County Assembly of Kisumu for investment promotion and lakefront planning and development.

The Corporation is committed in ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework, the fund is a formal governance structure with the management committee. The operations of the Corporation are governed by the KLDC ACT, 2021 of the Kisumu County Government published on 17th September, 2021. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

### **THE MANAGEMENT COMMITTEE**

The Act provides that the Board of Directors shall be made up of seven (7) members. The Board is responsible for the long-term strategic direction of the fund and recruitment of the Corporation's Administration and senior management.

The Board is provided with full, appropriate and timely information that enables it to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the Corporation is delegated to the Managing Director but the Board is responsible for establishing and maintaining the fund's system of internal controls for the realization of its mandate of providing financial support.

### **COMMITTEE MEETINGS**

The Board does not meet regularly because there are no funds to monitor the implementation of the Corporation strategic plan and achievement of the targets.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

#### **Internal Control**

The Board is responsible for reviewing the effectiveness of the Corporation's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

#### **Auditor**

The fund is audited by the Auditor-General and special audit from treasury.

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

The corporation has continued to provide enabling support in lakefront planning and management.

The corporation's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Corporation's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The management has ensured that we comply with statutory requirements relating to the functions of the fund and also making sure that statutory deductions are remitted on time to avoid incurring penalties and interests for non-compliance.

### **BUSINESS PERFORMANCE**

#### **Revenue**

The fund earned revenues amounting to KShs. 10,000,000 from the County Government and credit interests.

#### **Cash flows**

The cash and cash equivalents were 37,645 as at 30<sup>th</sup> June 2023. The balance shown is at the (Equity Bank)

### **OPERATIONAL PERFORMANCE**

The corporation's core operating activity has been setting up of its office, formal engagement through recruitment of its Pioneer staff, creating masterplan and marketing itself as an investment promotion agency.

#### **Conclusion**

We appreciate the unrelenting support from the Corporation's Board of Directors, management, staff, the County Government, National government and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2023/2024.

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**9. REPORT OF DIRECTORS.**

The committee submit their report together with the audited financial statements for the year ended June 30<sup>th</sup> 2023 which show the state of the corporation's affairs.

**Results**

The results of the Fund for the year ended June 30<sup>th</sup> 2023 are set out on pages 11 to 36.

**Auditors**

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

By Order of the Committee

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30<sup>TH</sup> September 2023 and signed by:

Signed:  \_\_\_\_\_

**Mr. George Owino Ogol.**  
**Chief Executive Officer**

**Kisumu Lakefront Development Corporation**

## **REPORT OF THE AUDITOR-GENERAL ON KISUMU LAKEFRONT DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Kisumu Lakefront Development Corporation set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **Basis for Disclaimer of Opinion**

### **1. Understated Transfers from County Executive**

The statement of financial performance reflects an amount of Kshs.10,000,000 in respect to amount received from the County Executive of Kisumu during the year. However, records maintained by the County Government show that an amount of Kshs.15,700,000 was transferred to the Corporation. The amounts received were not supported by receipts in the Corporation's bank accounts as no account details were provided. Further, no explanation was provided for the variance of Kshs.5,700,000 and the amount has not been accounted for.

In the circumstances, the accuracy of transfers from County Government could not be confirmed.

### **2. Unsupported Bank Account and Transactions**

The statement of financial position reflects an amount of Kshs.37,645 in respect of cash and cash equivalents, being the bank balance as at year end. Further, the financial statements are prepared in the name of Kisumu Lakefront Development Corporation, while the bank account is in the name of Kisumu Lakefront Development Limited, which, as per the CR12 from the Business Registration Service dated 11 March, 2024 is a private company owned by fifteen (15) individuals, twelve (12) of whom own 1000 shares each, two (2) own 2000 shares each and one (1) owns 3000 shares of the company that was incorporated on 24 October, 2019. Records maintained by the company indicate that it has received an amount of Kshs.27,536,000 of public money from Kisumu County Government in the last two years. Lakefront Development Corporation was created by an Act of the County Assembly of Kisumu on 17 September, 2021.

Further, review of the information on key entity information and management indicate that five (5) of the directors of Kisumu Lakefront Development Corporation, were also directors and shareholders of Kisumu Lakefront Development Limited.

However, Management did not provide details of the relationship between the private company that received the public money from the county and how the payments made out of the funds were done on behalf of the public corporation.

In the circumstances, the regularity of the transactions disclosed in these financial statements could not be confirmed.

### **3. Unsupported Staff Costs**

The statement of financial performance reflects an amount of Kshs.6,030,102 in respect to staff costs. However, records provided indicate the Corporation paid an amount of

Kshs.6,441,426 during the year resulting to unreconciled variance of Kshs.411,324. Further, payroll records provided for audit showed that the Corporation had between eight (8) and nine (9) employees during the year. The ledgers provided for audit showed that the salaries were paid in five tranches. Two of the tranches were paid in December, 2022, two others were paid in April, 2023, while the last amount was paid in May, 2023. In addition, the amounts paid in the five tranches varied between Kshs.495,000 to Kshs.1,712,319. However, the terms of engagement for the staff were not provided for audit review. Although the amounts were indicated to have been net of tax, which was deducted at 30% of the gross pay, no tax returns were noted to have been made in respect of the deducted amounts.

In the circumstances, the accuracy, completeness and validity of the expenditure on staff costs could not be confirmed.

#### **4. Lack of an Approved Budget**

The statement of comparison of budget and actual amounts indicates that the Corporation had total revenue and expenditure of Kshs.10,000,000 and Kshs.9,995,878, respectively. However, Management did not provide an approved budget for the year under review.

Further, the transfers from the County Government of Kisumu of Kshs.10,000,000, comprising of 100% of the Corporation's revenue was made from the appropriated funds of County Government of Kisumu, contrary to Regulation 200(1)(d) of Public Finance Management (County Governments) Regulations, 2015, which requires that a county corporation should not be financed wholly or substantially from sources which require annual appropriation by County Assembly, or imposition of tax, levy or other charge under legislation.

In the circumstances, the regularity of the budget performance of the Corporation could not be confirmed.

#### **5. Inaccuracies in the Financial Statements**

The statement of cash flows reflects cash and cash equivalents balance of Kshs.33,523 as at 1 July, 2022 while the 2021/2022 financial statements reflects a closing balance of Kshs.1,523 resulting to unexplained and unreconciled variance of Kshs.32,000.

Further, the statement of financial position reflects balance brought down of Kshs.33,523 while the comparative balance and 2021/2022 financial statements reflects balance carried forward of Kshs.1,523 resulting to unexplained and unreconciled variance of Kshs.32,000

In addition, the statement of changes in net assets reflects accumulated surplus balance as at 30 June, 2022 of Kshs.33,523 instead of Kshs.1,523. Also, the statement reflects total accumulated surplus balance as at 30 June, 2023 of Kshs.37,645 while a re-computation gives Kshs.5,645 resulting to a variance of Kshs.32,000. In addition, the statement does not include total balances in the totals column.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

## **6. Unsupported Ownership of the Corporation**

Kisumu County Lakefront Development Act, 2021 states that the Corporation was established on 17 September, 2021 as a Special Purpose Vehicle (SPV), to develop and manage economic and social activities of the lakefront, mobilize resources and for opportunity connection purposes. However, the certificate of incorporation provided for audit review indicates that on 24 October, 2019, Kisumu Lakefront Development Limited was incorporated under the Companies Act, 2015 as a private limited company.

In addition, Section 4.1 of Kisumu County Lakefront Development Act, 2021 states that the Corporation has authorized share capital of Kshs.100,000 divided into one thousand ordinary shares of Kshs.100 each with the County Government of Kisumu holding ninety percent (90%) of the shares. However, the ownership of the 10% shareholding have not been disclosed and the share certificates for the Corporation's shareholders were not provided for audit review.

A search at Business Registration Service dated 11 March, 2024 revealed that Kisumu Lakefront Development Corporation does not exist, but instead, a Company in the name of Kisumu Lakefront Development Limited, a private limited company, with a shareholding of 100,000 shares exists. Even though the private company is the one that received the funding from the County Government, Management did not provide documentary information or evidence to show how the two entities are related.

Further, the Memorandum and Articles of Association of the SPV indicating the terms of agreement was not provided for audit review.

In the circumstances, the Corporation's structures, powers and legal requirements could not be confirmed and this may lead to loss of public funds.

## **7. Unsupported Appointment of Board of Directors**

The annual report and financial statements of the Corporation under key entity information and management indicates six (6) Board Members and five (5) Members of key management in office in the period under review. However, the recruitment and selection documents, and the appointment letters for the Management were not provided for audit review.

In addition, Section 6.1(b) of the Act states that Chief Executive Officer (CEO) is appointed by the Governor of County Government of Kisumu, which contradicts Section 12(2) of the same Act, which states that the Managing Director would be appointed by the Board of Directors through a competitive process. The CEO is defined in the financial statements as a Fund Administrator.

Further, the appointment letters and minutes of shareholders meetings supporting the appointment of Board Members as required by Section 6.1 of the Act, which requires seven (7) members of the Board of Directors, four (4) appointed by the County Government of Kisumu and three (3) by shareholders amongst themselves were not provided for audit.

In the circumstances, the regularity of the appointment of Board and staff in office could not be ascertained.

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

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the County Government is aware of the intention to terminate the Corporation or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how the entity 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 International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and overall governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of Kisumu Lakefront Development Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

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

**Nairobi**

**15 May, 2024**

## **10. STATEMENT OF DIRECTORS RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund shall prepare financial statements for the corporation in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.


The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30<sup>th</sup>, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the corporation financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the corporation is of the opinion that the Fund's financial statements gives a true and fair view of the state of Fund's transactions during the financial year ended 30<sup>th</sup> June, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the corporation, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

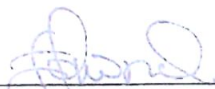
In preparing the financial statements, the Administrator of the County Public Fund has assessed the corporation's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the financial statements**

The corporation's financial statements were approved by the committee on 30<sup>th</sup> September, 2023 and signed on its behalf by:

  
\_\_\_\_\_  
**Mr. George Owino Ogol.**

**Chief Executive Officer**  
**Kisumu Lakefront Development Corporation**

  
\_\_\_\_\_  
**Mr. Edward Ouko**  
**Chairperson to the KLDC board**

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**12. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

	Note	FY 2022-2023	FY 2021-2022
		KShs	
<b>Revenue from non-exchange transactions</b>			
Publication contributions and donations	1		3,726,000
Transfers from the County Government	2	10,000,000	13,810,000
<b>Revenue from exchange transactions</b>			
Interest income			
Other income (Conditional Grant from National Treasury)			
<b>Total revenue</b>		<b>10,000,000</b>	<b>17,536,000</b>
<b>Expenses</b>			
Use of Goods	3	3,965,776	17,534,477
Staff Cost	5	6,030,102	-
<b>Total expenses</b>		<b>9,995,878</b>	<b>17,534,477</b>
<b>Surplus /(deficit)for the period</b>		<b>4,122</b>	<b>1,523</b>

.....  
**Chief Executive Officer**  
**Name: Mr. George Owino Ogol.**

.....  
**Accountant**  
**Name: Leticia Awuor Odhiambo**  
**ICPAK Member Number: 20301**

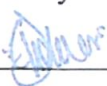
*(The notes set out on pages xxx to xxx form an integral part of these Financial Statements)*


**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**13. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2023**

	Note	FY 2022-2023	FY 2021-2022
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and Cash equivalent	4	37,645	1,523
<b>Non-current liabilities</b>			
Property, Plant and Equipment			
<b>Total assets</b>		37,645	1,523
<b>Liabilities</b>			
<b>Current liabilities</b>			
<b>Non-Current liabilities</b>			
<b>Total liabilities</b>		-	-
			-
<b>Net assets</b>		37,645	
Balance B/D		33,523	-
Revolving Fund		-	-
Reserves		-	-
Accumulated (deficit)		4,122	1,523
<b>Total net assets and liabilities</b>		37,645	1,523

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30<sup>th</sup> September, 2023 and signed by:

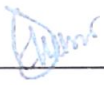
  
 \_\_\_\_\_  
 Chief Executive Officer  
 Name: Mr. George Owino Ogol.


  
 \_\_\_\_\_  
 Accountant  
 Name: Letecia Awuor Odhiambo  
 ICPAK Member Number: 20301

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**14. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2023**

<b>KISUMU LAKEFRONT DEVELOPMENT CORPORATION</b>				
<b>STATEMENT OF CHANGE IN EQUITY</b>				
<b>FOR THE YEAR ENDED 30TH JUNE 2023</b>				
<b>PARTICULARS</b>	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		kshs	kshs	kshs
<b>Balance as at 1st July 2021</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>-</b>
Surplus / (Deficit) for the period	0			
Fund received during the year	0			
Revaluation gain	0			
<b>Balance as at 30th June 2022</b>	<b>0</b>	<b>0</b>	<b>33,523</b>	<b>1,523</b>
<b>Balance as at 1 July 2022</b>	<b>0</b>	<b>0</b>	<b>1,523</b>	<b>1,523</b>
Surplus / (Deficit) for the period	0	0	4,122	4,122
Fund received during the year	0	0	-	-
Revaluation gain	0	0	-	-
<b>Balance as at 30 June 2023</b>	<b>0</b>	<b>0</b>	<b>37,645</b>	

  
 Chief Executive Officer  
 Name: Mr. George Owino Ogol.


  
 Accountant  
 Name: Letecia Awuor Odhiambo  
 ICPAK Member Number: 20301

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**15. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2022**

	Note	FY 2022-2023	FY 2021-2022
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts from operating income</b>			
Public contributions and donations	1	-	3,726,000
Transfers from the County Government	2	10,000,000	13,810,000
Interest received (income)			
Receipts from other operating activities			
<b>Total Receipts</b>		<b>10,000,000</b>	<b>17,536,000</b>
<b>Payments</b>			
Use of Goods and Services	3	3,965,776	17,534,477
Staff cost	5	6,030,102	
<b>Total payments</b>		<b>9,995,878</b>	<b>17,534,477</b>
<b>Net cash flows from operating activities</b>		<b>4,122</b>	<b>1,523</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			
<b>Net cash flows used in investing activities</b>			-
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts			-
Additional borrowings			-
Repayments of borrowings			-
<b>Net cash flows used in financing activities</b>			-
<b>Net (decrease) in cash and cash equivalents</b>		<b>4,122</b>	<b>1,523</b>
Cash and cash equivalents 1st July,2022		33,523	
<b>Cash and cash equivalents at 30 JUNE 2021/2022</b>	4	<b>37,645</b>	<b>1,523</b>


  
 Chief Executive Officer  
 Name: Mr. George Owino Ogol.


  
 Accountant  
 Name: Leticia Awuor Odhiambo  
 ICPAK Member Number: 20301

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Reports and Financial Statements**  
**For the Period ended June 30, 2022**

**16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2023.**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations	-	-	-	-	-	
Transfers From County Govt.	10,000,000		10,000,000	10,000,000	-	100%
Interest Income	-	-	-	-	(-)	0
Other Income	-	-	-	-	-	0
<b>Total Income</b>	<b>10,000,000</b>	<b>-</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>(-)</b>	<b>100%</b>
<b>Expenses</b>						
Fund Administration Expenses	-	-	-	-	(-)	0
General Expenses	9,995,878	-	9,995,878	9,995,878	(-)	100%
Finance Cost	-	-	-	-	(-)	
<b>Total Expenditure</b>	<b>9,995,878</b>	<b>(-)</b>	<b>9,995,878</b>	<b>9,995,878</b>	<b>(-)</b>	<b>100%</b>
<b>Surplus For the Period</b>				<b>4,122</b>	<b>-</b>	
<b>Capital expenditure</b>						

  
 Chief Executive Officer  
 Name: Mr. George Owino Ogol.

  
 Accountant  
 Name: Leticia Awuor Odhiambo  
 ICPAK Member Number: 2031

**17. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

Kisumu Lakefront Development Corporation is established by and derives its authority and accountability from sections 5 (1), 2 (e), 6 (3), 30 (1) (1), 31 of the County Governments Act, 2012 and section 146 of the Public Finance Management Act, 2012 and sections 2 of the Kisumu County Lakefront Development Act No. 4 of 2021 of the County Assembly of Kisumu.

The corporation's principal activity is to plan for the /and development the Lakefront within Kisumu County; and attract and promote investments within the County.

**2. Statement of compliance and basis of preparation**

The corporation's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. Adoption of new and revised standards**

**(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2023**

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

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

Standard	Effective date and impact:
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> </ul>

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023</p>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

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

**4. 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.

**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.

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Budget information.**

The original budget for FY 2022/2023 was approved by the County Assembly on 30<sup>th</sup> June 2022 of KShs 20,000,000. Subsequent revisions were made to the approved budget due to the financial constraints of the county executive. Consequently, the final budget after revision of FY 2022/2023 came to a total of KShs. **10,000,000** comprising of transfer from county executive.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the 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.

The depreciation method being used is straight line method based on the following rates below.

Furniture and fittings-12.5%

Computers -33%

**d) Intangible assets**

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

The useful life of the intangible assets is assessed as either finite or indefinite.

**e) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**f) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

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

**g) Provisions**

Provisions are recognized when the Entity 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 Entity 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.

***Contingent liabilities***

The Entity 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 Entity 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 Entity 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.

**h) Nature and purpose of reserves**

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

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

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

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

The Entity 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

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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 actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**k) Foreign currency transactions**

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

**l) 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.

**m) Related parties**

The Entity 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 Fund Administrator and the Fund Accountant.

**n) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**o) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. The comparative figure for cash & cash equivalents- Account No. 1700279796270 (Operations Account) of Ksh.1,523 was amended to Ksh. 33,523 due to error of omission arising out of payment of Ksh.32,000 made in July 2022 but recorded in June 2022.

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The entity is a County Public Fund established by Section 167 of the Public Finance Management (PFM) Act 2012. Its ultimate parent is the County Government of Kisumu.

**r) Currency**

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

**s) Significant judgments and sources of estimation uncertainty**

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

**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 Entity 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 Entity
- 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

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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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 Note 18.

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.

**t) Financial risk management**

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

5. The Fund's financial risk management objectives and policies are detailed below:

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from customers.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**b) Liquidity risk management**

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

**c) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

6. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**ii. Interest rate risk**

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

*Management of interest rate risk*

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

*Sensitivity analysis*

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant.

**d) Capital risk management**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contribution and donations**

Description	FY 2022-2023	FY 2021-2022
	KShs	KShs
Donations from development partners		3,726,000
Contributions from the public	-	-
<b>Total</b>		<b>3,726,000</b>

**2. Transfers from County Government**

Description	FY 2022-2023	FY 2021-2022
	KShs	KShs
Transfer from County Govt.-operations	10,000,000	13,810,000
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>10,000,000</b>	<b>13,810,000</b>

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Use of Goods and Services**

Descriptions	FY 2022/2023	FY 2021-2022
Car hire services	-	150,000
Printing Service	-	229,800
General office stationery	670,276.00	150,000
Accommodation-Domestic Travel	-	2,890,100
Travel cost	373,300.00	777,005
Daily Subsistence Allowance	690,000.00	3,185,500
Board Conference and Accommodation/Domestic	-	7,500,072
Catering Service	2,062,400.00	2,050,000
Telephone services	168,000.00	487,000
Bank charges	1,800.20	115,000
<b>Total</b>	<b>3,965,776</b>	<b>17,534,477</b>

**4. Cash and cash equivalents**

Descriptions	FY 2022/2023	FY 2020/2021
<b>Balance brought forward</b>		
Current account (EQUITY BANK)	37,645	1,523
<b>Total cash and cash equivalents</b>	<b>37,645</b>	<b>1,523</b>

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

		FY 2022/2023	FY 2021/2022
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Equity bank-PROJECT	1,700,282,539,360	378.50	378.50
Equity bank-OPERATIONS	1,700,279,796,270	37,266.23	1,144.63
<b>Grand total</b>		<b>37,644.73</b>	<b>1,523.13</b>

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**5. STAFF COST**

	FY 2022/2023	FY 2021/2022
	Kshs	Kshs
Staff-Salaries Salaries	6,030,102.00	
<b>Grand total</b>	<b>6,030,102.00</b>	<b>-</b>

**Other Disclosures Continued**

**7. Financial risk management**

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

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

**a) Credit risk**

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**b) Liquidity risk management**

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

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

**c) Market risk**

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

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

*The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.*

**Foreign currency sensitivity analysis**

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

**ii. Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**d) Capital risk management**

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

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

**18. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
<b>1. Use of Goods and Services</b>	The statement of profit or loss and other comprehensive income as disclosed in Note 3 to the financial statements reflects an amount of Kshs.17,534,477 under use of goods and services. However, an amount totalling to Kshs.12,859,977 was not supported with documentary evidence as detailed below:			
<b>1.1 Unsupported Car Hire and Telephone Services</b>	Note 3 to the financial statements includes an amount of Kshs.150,000 for car hire services from a service provider for fifteen (15) days at the rate of Kshs.10,000 per day. Although the Management has explained that the services were offered during the Africities' conference which was held in Kisumu, no supporting documentation was provided to show how the services were procured and provided. In addition, use of goods and services includes an amount of Kshs.487,000 relating to telephone services (airtime allowance) which was not supported by a list of beneficiaries, their entitlements and the payment policy.	The observation Made by the audit team is true that during the financial year under review the management made payment of ksh.150,000 and ksh.487,000 for car hire service and Telephone Services respectively. The Management has attached copies of documents to support airtime allowances issued to KLDC staff in the entire Financial Year. The procurement for the car hire services was done as per public procurement and disposal Act 2012.The supporting document for the payment i.e., Request to procure, Award letter, LSO, Minutes and Reports have been attached for your review. (ANNEX 1.1)	The issue has been satisfactorily supported and explained	Resolved
<b>1.2 Unsupported Expenditure on Board, Travel, Daily Subsistence Allowances and General Office Expenses</b>	Note 3 to the financial statements reflects an amount of Kshs.17,534,477 in respect of use of goods expenses. However, payment vouchers amounting to Kshs.3,988,705 as analysed below were not supported with details of payee, reasons for the payment, activity being paid for and date of the indicated activity.	The management has provided further attachments as were initially requested in the management letter. These documents include minutes, List of participants, payee and concept notes where	The issue has been satisfactorily explained  Resolved	Resolved

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe:												
	<table border="1"> <thead> <tr> <th>Expenditure Item</th> <th>Amount (Kshs.)</th> </tr> </thead> <tbody> <tr> <td>Board Conference and Accommodation</td> <td>2,515,800</td> </tr> <tr> <td>Travel Cost</td> <td>462,905</td> </tr> <tr> <td>Daily Subsistence Allowance</td> <td>860,000</td> </tr> <tr> <td>General Office Stationery</td> <td>150,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>3,988,705</b></td> </tr> </tbody> </table>	Expenditure Item	Amount (Kshs.)	Board Conference and Accommodation	2,515,800	Travel Cost	462,905	Daily Subsistence Allowance	860,000	General Office Stationery	150,000	<b>Total</b>	<b>3,988,705</b>	applicable for your review. (ANNEX 1.2)		
Expenditure Item	Amount (Kshs.)															
Board Conference and Accommodation	2,515,800															
Travel Cost	462,905															
Daily Subsistence Allowance	860,000															
General Office Stationery	150,000															
<b>Total</b>	<b>3,988,705</b>															
<b>1.3 Unsupported Catering Services</b>	Note 3 to the financial statements includes an amount of Kshs.2,050,000 for catering services. However, the Management has not justified the expenditure with a policy and the beneficiaries of those services. In addition, Kshs.1,000,000 was paid to a catering service provider but no invoice was received for payment and the kind of services offered were not explained. Further, Kshs.200,000 in respect of office float has been charged to this account.	During the audit under review, the management made some payment of ksh.2,050,000 for catering services. The management availed the documents to support these payments. (ANNEX 1.3)	The issue has been satisfactorily explained	Resolved												
<b>1.4 Unsupported Board Conferences and Accommodation</b>	Note 3 to the financial statements includes Kshs.7,500,072 for Board conferences and accommodation. However, the Board expenses have not been disclosed as required by the reporting template. In addition, the Corporation did not provide signed Board of Directors meetings to confirm that there were any meetings at all. Further and in absence of a record of meetings it could not be established the rate at which the directors were being remunerated.  In the circumstances, the occurrence, completeness and accuracy of use of goods	The management acknowledge the failure to disclose Board expenses as required by the reporting template. We would further wish to clarify that apart from Board Expenses, the management charged other payments under the same Economic Item (Board, Committee, Conferences and seminars) However, we have Isolated a payment made in respect of the Board meeting and availed documents to support the board Expense. We have availed the	The issue has been satisfactorily explained since despite provision of payment vouchers the board attendance register had not been availed todate.	Partially Resolved												

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	expenditure amounting to Kshs.12,859,977 could not be confirmed.	Minutes and the rates at which they were remunerated. (ANNEX 1.4)		
<b>2. Misclassification of Expenses</b>	<p>The statement of profit or loss and other comprehensive income as disclosed in Note 3 to the financial statements reflects an amount of Kshs.17,534,477 under use of goods and services, which includes an amount of Kshs.3,185,500 for daily subsistence allowances. This amount in turn includes Kshs.570,000 and Kshs.237,000 which was spent on supplies and printing respectively but erroneously charged to this account.</p> <p>In the circumstances, the accuracy of daily subsistence expenditure of Kshs.3,185,500 could not be confirmed.</p>	<p>The observation by the audit team on daily subsistence allowance is true. The management acknowledges the errors made during the preparation of the financial statement where some expenditures were not correctly classified. The errors have been noted and will be corrected going forward.</p>	The issue has not been satisfactorily explained. The management acknowledges the errors and promised to correct them going forward in the next financial statements.	Not Resolved
<b>3. Unsupported Cash and Cash Equivalents</b>	<p>The statement of financial position reflects a cash and cash equivalents balance of Kshs.1,523 as disclosed in Note 4 to the financial statements. However, one account which reflects a balance of Kshs.1,145 is supported by a cash book balance of Kshs.805 thus resulting to a variance of Kshs.304 which has not been reconciled. Further, this account has two (2) separate certificates of bank balance as at 30 June 2022 which reflect balances of Kshs.33,145 and Kshs.2,305.</p> <p>In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.1,523 could not be confirmed.</p>	<p>The observation by the audit team is true, this is since the management used Accrual basis of accounting and not cash basis in the financial statement submitted for audit, however this has since been amended in the financial statement presented for your review</p>	<p>The issue has not been satisfactorily explained. Despite the statement of financial position reflecting a cash and cash equivalents balance of Kshs.1,523 the cash book balances are yet to be amended.</p>	Not Resolved

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
<p><b>4. Failure to Have an Approved Budget</b></p>	<p>The statement of comparison of budget and actual amounts indicates that the corporation had a total revenue and expenditure budget of Kshs.17,536,000 and Kshs.17,534,477 respectively. However, the entity did not have a budget approved for the year under review. In addition, the transfers from the County Government of Kisumu of Kshs.13,810,000 comprising of seventy-nine percent (79%) of the Corporation's revenue was made out of the appropriated funds of County Government of Kisumu contrary to Regulation 200(1)(d) of Public Finance Management (County Governments) Regulations, 2015 which requires that a county corporation should not be financed wholly or substantially from sources which require annual appropriation by County Assembly, or imposition of a tax, levy or other charge under legislation. In the circumstances, the regularity of the budget performance for the Corporation could not be confirmed.</p>	<p>The observation made by the Audit team is true. County Government of Kisumu deed transfer funds to KLDC, However, it's important to note that the corporation required seed capital to support its operations during the initial stages. Documents are hereby attached to justify the need for support from County Government of Kisumu. (ANNEX 4.0)</p>	<p>The issue has not been satisfactorily explained</p>	<p>Not Resolved</p>
<p><b>5. Late Submission of Financial Statements</b></p>	<p>The financial statements for Kisumu Lakefront Development Corporation for the period ended 30 June, 2022 were submitted to the Office of the Auditor-General on 16 January, 2023 which is ninety-two (92) days later than the set deadline of 30 September, 2022. This was contrary to Regulation 208 of Public Finance Management (County Governments) Regulations, 2015 requires the Accounting Officer of a county corporation to prepare and submit annual financial and non-financial</p>	<p>It's true that the corporation did not submit the financial report in good time has required by law, we are indeed in deep regret for not complying with required law and regulation, the management will ensure comply with the law in future.</p>	<p>The issue has not been satisfactorily explained</p>	<p>Not Resolved</p>

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>statements in the format gazette by the Cabinet Secretary within three months after the end of the financial year to Auditor-General with copies to the responsible County Executive Committee Member and the county treasury.</p> <p>In the circumstances, Management was in breach of the law.</p>			
<p><b>6. Establishment of Kisumu Lakefront Development Corporation</b></p>	<p>Kisumu County Lakefront Development Act, 2021 states that the corporation was established on 17 September, 2021 as a Special Purpose Vehicle (SPV), to develop and manage economic and social activities of the lakefront, mobilise resources and for connected purposes. However, the certificate of incorporation provided for audit review indicates that on 24 October, 2019, Kisumu Lakefront Development Limited was incorporated under the Companies Act, 2015 as a private limited Company.</p> <p>In addition, Section 4.1 of Kisumu County Lakefront Development Act, 2021 states that the corporation has authorized share capital of Kshs.100,000 divided into one thousand ordinary shares of Kshs.100 each with County Government of Kisumu holding ninety percent (90) of the shares. However, the share certificates for the Corporation's shareholders were not provided for audit review.</p> <p>Further, the Memorandum and Articles of Association of the SPV indicating the terms of agreement was not provided for audit review.</p> <p>In the circumstances, the Corporation's structures, powers and legal requirements could not be</p>	<p>The observation made by the audit team is true however, the corporation is making significant steps in fulfilling its mandates and putting together all that is required to operate as required by the law.</p>	<p>The issue has not been satisfactorily explained</p>	<p>Not Resolved</p>

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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

Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	confirmed and this may lead to loss of public funds.			
<b>7.Avoidable Bank Charges</b>	<p>The statement of profit or loss and other comprehensive income reflects an amount of Kshs.17,534,477 in respect to use of goods expenses, which as disclosed in Note 3 to the financial statements includes bank charges amounting to Kshs.115,340. However, the bank charges were in respect to cash withdrawal charges on drawn cheques over the counter and a bank overdraft charge of Kshs.47,804. However, the Board approval for the bank overdraft was not provided for audit review.</p> <p>In the circumstances, value for money on the expenditure of Kshs.115,340 on bank charges could not be confirmed.</p>	The management acknowledges errors made and going forward, all the unnecessary Bank charges will be avoided as advised by the Audit team.	The issue has not been satisfactorily explained	Not Resolved
<b>8.Unsupported Appointment of Board of Directors and Staff</b>	<p>The annual report and financial statements of the corporation under key entity information and management indicates six (6) Board members and five (5) members of key management in office in the period under review. However, the recruitment and selection documents, and appointment letters for the Management were not provided for audit review.</p> <p>In addition, Section 6.1(b) of the Act states that Chief Executive Officer (CEO) is appointed by the Governor of County Government of Kisumu, which contradicts 12(2) of the same Act, which states that the Managing Director would be appointed by the Board of Directors through a competitive process. The CEO is defined in the financial statements as a Fund Administrator.</p>	The board awarded a one (1) year contract to the pioneer staff and the letters are available for Audit review. The Board was constituted as per the KLDC Act article 6. We acknowledge some challenges that may have occurred during the initial stages of the operation however, the corporation is in the process of putting everything in order	The issue has not been satisfactorily explained	Not Resolved

**KISUMU LAKEFRONT DEVELOPMENT CORPORATION**

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Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
	<p>Further, the appointment letters and minutes of shareholders meetings supporting the appointment of Board members as required by Section 6.1 of the Act which requires seven (7) Board of Directors, four (4) appointed by County Government of Kisumu and three (3) by shareholders amongst themselves were not provided for audit review.</p> <p>In the circumstances, the regularity of the appointment of Board and staff in office could not be ascertained.</p>			