

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

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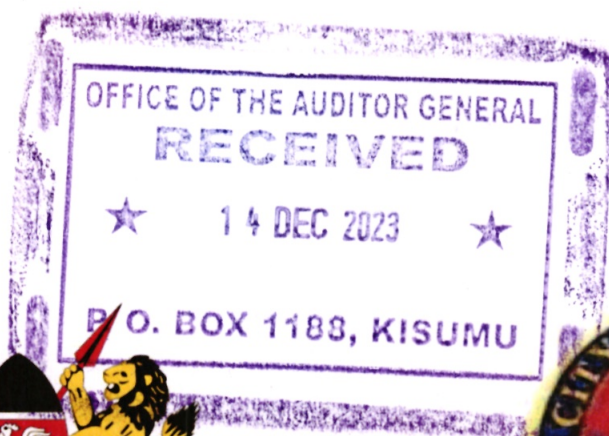
THE AUDITOR-GENERAL

ON

CITY OF KISUMU

FOR THE YEAR ENDED

30 JUNE, 2023



CITY OF KISUMU

County Government of Kisumu

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

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

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1. Acronyms and Glossary of Terms

Acronym	Meaning
ADP	Annual Development Plan
AIE	Authority to Incur Expenditure
CA	County Assembly
CARA	County Allocation of Revenue Act
CECM	County Executive Committee Member
CG	County Government
CIDP	County Integrated Development Plan
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CT	County Treasury
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
NT	National Treasury
WB	World Bank
UDG	Urban Development Grant
KSHS	Kenya Shillings
PAC	Public Accounts Committee
PIC	Public Investment Committee
FY	Financial Year
IFMIS	Integrated Financial Management Information System

1. Key Entity Information and Management

a) Background information

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

b) Principal Activities

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

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

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

The key objectives are:

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

c) City Board

Ref	Position	Name
1.	Chairman of the Board	Elijah Onyango Adul
2.	County Executive Committee Member responsible for Cities and Urban areas.	Salmon Okoth Orimba
3.	Vice Chairperson	Peris Nyaduse Ochola
4.	Board Member 1	Samuel Onyango Okello
5.	Board Member 2	Sagar Navichandra Shah
6.	Board Member 3	Prof Lawrence Otwenyo Gumbe
7.	Board Member 4	Kennedy Akoko
8.	Board member 5	Sheila Adhiambo Okal
9.	Board Member 6	John Omondi Ombija
10.	Board Member 7	Charles Owoko Ochome
11.	Board member 8	Farida Salim Ahmed
12.	Board Member 9	Rose Arungu Olende
13.	City/Municipality Manager	Michael Abala Wanga

d) Key Management

e) Ref	Position	Name
1	City Manager	Michael Abala Wanga
2	Director Human Resource Management	Harriet Amulen Hongo
3	Head of City Engineering and Public Works	Moses Ochieng' Ogeda
4	Head of Partnerships and Resource Mobilization (Projects Coordinator)	Charles Ochieng' Omollo
5	Head of Finance	Peresia Omino

6	Head of Supply Chain Management	Carren Akoth Olwero
7	Head of ICT	Maurice Odhiambo Otieno
9	Head of Inspectorate and Enforcement	Joannes Omondi Otiende
10	City Attorney	Mariella Awuor
11	City Planner	Judith Bala Aluoch
12	Head of Housing	Benard Ouma Ojwang'
13	Head of Environment, Climate Change and Natural Resources	Benard Otieno Ojwang'
14	Head of Public Health	Joshua Adongo Owino
15	Head of Social Services	Dorothy Adhiambo Onong'no
16	City Board Administrator	Evance Odwuor Alalah

e) Fiduciary Oversight Arrangements

i) Audit and Risk Management Committee

Ref	Position	Name
1	Internal Auditor	Silvanus Odoyo

ii) *Parliamentary committee activities*

- ❖ Senate PAC
- ❖ Senate PIC

iii) *County Assembly of Kisumu*

Assembly, Pursuant to the Constitution of Kenya, 2010 and the County Government Act, 2012, has fiduciary oversight role over the execution of the functions of the County Government; under Article 8(1) c) of the County Government Act, 2012, it approves the budget and expenditure of the county government which the city budget is consolidated to in accordance with article 207 of the Constitution of Kenya

iv) **County Treasury**

- v) *Development partner oversight activities*
- vi) **OAG**
- vii) **OCOB**

f) Registered Offices

P.O. Box 105-40100
City Hall Building -Court Road
off Jomo Kenyatta Highway
Kisumu, KENYA

g) Contacts

Telephone: (057) 2023812
Tel/Fax:202 3812
E-mail: citymanagerkisumu@yahoo.com
Website: city.kisumu.go.ke

h) Bankers

1. EQUITY BANK(K) LTD -
KISUMU BRANCH
P.O BOX 7427-40100
KISUMU

2. SBM BANK(K) LTD
KISUMU BRANCH
P.O BOX 2989-40100
KISUMU

i) Independent Auditor




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

j) Principal Legal Adviser



The County Attorney
County Government of KISUMU
P.O. Box 2738-40100
KISUMU.

2. City Board

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

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

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

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

Michael Abala Wanga










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




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

3. Key Management Team

Name	Details of qualifications and experience
<p>1. Michael Abala Wanga</p> 	<p>Academic Qualification: Mr. Abala holds Master’s degree in Business Administration and Bachelor’s degree in Law.</p> <p>Experience: He joined Civil service in 1993 having originally trained as Laboratory Scientist, a line he left and joined Administration and Management for the last 10 years. He is the Acting City manager and Accounting Officer of the City.</p>
<p>2. Harriet Amulen Hongo</p> 	<p>Academic Qualification: Harriet holds Master’s degree in Business Administration (MBA), Bachelor’s degree in Business Management (BBM) and Higher Diploma in Human Resource Management. She is Certified Human Resource Professional (CHRP (K)) and Monitoring and Evaluation, Accountability & Learning. She is a member of IHRM (K).</p> <p>Experience: She has undertaken a number of leadership and management courses and has over nineteen (20) years’ experience with fifteen (10) years in management positions. She is the Head of Human Resource Management at the City.</p>
<p>3. Moses Ochieng’ Ogeda</p> 	<p>Academic Qualification: Moses holds Bachelors of Science degree in Engineering.</p> <p>Experience: He has undertaken a number of management and leadership courses and has been in public Service since the year 2007. He is the Head of City Engineering department.</p>

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

	<p>has been in the public service since the year 1999 with over ten years in management position.</p>
<p>8. Joannes Omondi Otiende</p> 	<p>Date of Birth: Born on 12th March 1965, Academic Qualification: Joannes is trained in Officer's Command and Leadership. He is also trained in Disaster Preparedness and Management. Experience: He has served in the Public Service since 1994. He is the head of City Inspectorate and Enforcement.</p>
<p>9. Mariella Awuor</p> 	<p>Academic Qualification: Mariella holds Bachelor's degree in Law and Post Graduate Diploma in Law. She has training in Corporate Governance and Board Competency. She is a member of Law Society of Kenya (LSK). She is currently Pursuing a course as Chartered Public Secretary. CPS(K) Experience: She joined public service in the year 2020 after practicing as an Advocate for Years. She is the City Attorney and doubles up as the Ag. City Board Secretary.</p>
<p>10. Judith Bala Aluoch</p> 	<p>Academic Qualification: Judith holds Bachelor's degree in Urban and Regional Planning. Experience: She has training in Environmental Impact Assessment and other management courses. She is a member of Kenya Institute of Planners (KIP). She joined public service in the year 2020. She is the City Planner.</p>

<p>11. Benard Ouma Ojwang</p> 	<p>Academic Qualification: Benard holds Master’s degree in Project Planning and Management, Bachelor of Landscape Architecture and is a registered member of Architectural Association of Kenya (AAK).</p> <p>Experience: He has undertaken a number of managements trainings. He joined public service in the year 2010. He is the Head of City Housing and Urban Development.</p>
<p>12. Benard Otieno Ojwang’</p> 	<p>Academic Qualification: Benard holds Bachelor’s degree in Environmental Health, Diploma in Environmental Resource Management and has undertaken a number of management courses. He is a member of Environment Institute of Kenya (EIK). He joined public service in the year 2012. He is the Head of City Environment and Natural Resource Management.</p>
<p>13. Joshua Adongo Owino</p> 	<p>Academic Qualification: Joshua holds Diploma in Environmental Health Sciences.</p> <p>Experience: He also has trainings in Control of Communicable Diseases, Environmental Sanitation. Emergency response and lifesaving among other management courses. He is a member of Association of Public Health Officers in Kenya. He joined public service in the year 1994. He is the Head of City Public Health.</p>
<p>14. Dorothy A .Onong’no</p> 	<p>Academic Qualification: Dorothy holds Bachelor’s degree in Sociology.</p> <p>Experience: She has also undertaken a number of leadership short courses. She joined the public service in the year 1999. She is the Head of Social Services at the City of Kisumu.</p>

15. Evance Odwuor Alalah



Academic Qualification: Evance holds Diploma in Journalism and Media Studies.

He is currently pursuing a Bachelor's Degree in Public Administration and Governance.

Experience: He has training in Public Relation and Change Management and a number of Leadership and Management courses. He joined public service in the year 2017. He is the Administrator of the City Board.

4. City Board Chairperson's Report

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

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

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

Achievements:

The City Board took up the responsibility of regenerating the city through partnerships and prudent oversight of the projects being implemented by Kenya Urban Support Program project whose objective is to establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya.

These projects were aimed at:

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

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

This board also through concerted efforts and consultation convened a multisectoral brainstorming session in late 2020 which culminated in the enhanced city infrastructure through improved urban aesthetics and city greening & beautification initiative in conjunction with the corporate sector.

The board also has been overseeing the implementation of the detailed Local Physical Land Use Plan.

Challenges

- I. Slow integration with the other levels of the County Assembly, Executive, Public Service Board and National Government Arms in the County
- II. Inadequate and slow Disbursement of Funds
- III. Lack of autonomy
- IV. Inadequate staffing

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

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

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

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

As the curtains fall on the reign of the current city board, I walk with my head high knowing that we have laid a strong foundation for the city governance and amidst numerous challenges and learning point the next board is well placed to move the city of Kisumu forward to prosperity and great pride of the residents.



Mr. Elijah Onyango Adul

Chairperson of the Board

5. Report of the City Manager

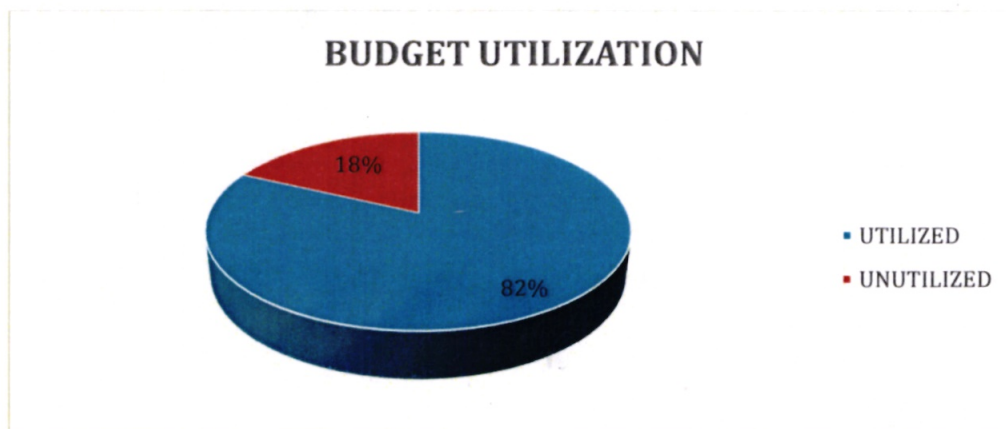
It is my pleasure to present the City of Kisumu Annual Financial Statements for the FY 2022/2023. The City is mandated to prepare annual report and submit the same to the City Board not later than three months after the end of each year in accordance with Urban Areas and Cities Act No. 13 of 2011 and as amended in 2019. That it was established by and derives its authority and accountability *and* Sec. 166(4) of the Public Finance Management Act, 2012. It is upon this backdrop that I forward the City of Kisumu annual report for the year ended 30th June, 2023. The same report has been sent to the relevant statutory bodies as provided for in the PFM Act.

The report presents budget execution status covering the period 1st July, 2022 to 30th June, 2023, with comparative actual achievements and budgeted amounts for the previous year 2021/2022. It contains the annual budgeted receipts and expenditures for FY 2022/2023 performance and donor funds and other development partners' contributions for the year 2022/2023.

Financial Performance

The County Government of Kisumu allocated **KShs. 576,700,138** to the City of Kisumu during the Financial year 2022/2023. By 30th June 2023 **KShs. 474,275,223 (82%)** had been utilized with actual payments of **KShs. 409,820,370 (71%)** the difference being unpaid processed payments of **kshs.64,454,848 (11%)**.

Budget Utilization Chart



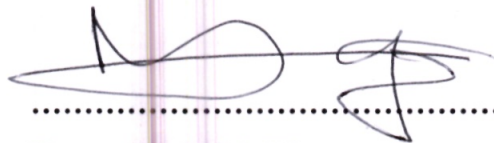
Challenges

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

- Some payments taken to the County treasury takes too long to be paid.
- IFMIS operation technicalities

1. Risk Management Strategies

Strengthening of Project Management and Implementation Committee (PMIC)



.....
Name: Abala M. Wanga

City Manager

6. Statement of Performance Against Predetermined Objectives for the period ended 30th June 2023

Guidance

Introduction

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

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

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Renovation of slaughter house	-To enforce humane method of slaughter by producing clean and wholesome meat.	-Improved slaughter for clean production of meat and enhanced revenue	-Renovated slaughter house	90% complete
Upgrading of streetlights & cctv cameras	-To improve security and visibility in order to promote safety and Security	-Improved security -Convenience to access, support business and improve business ties	-No of streetlights upgraded	90% Complete

Program	Objective	Outcome	Indicator	Performance
Upgrading of streetlights within estates	-To improve security and visibility in order to promote safety and Security	-Improved security -Convenience to access, support business and improve business ties	-No of streetlights upgraded	100% complete
Rehabilitation of streetlights	To improve security and visibility in order to promote safety and Security	Improved security -Convenience to access, support business and improve business ties	No of streetlights rehabilitated	90% Complete
Partitioning of office at new fire station.	-Provide healthy, safe conducive and efficient working environment	-Improved working environment	-Modernized offices	90% Complete
Rehabilitation of City Court	-To provide conducive and efficient working environment for discharge dispensing of legal issues	-To centralize and streamlining of city operations	-Rehabilitated Court	100 % complete
Purchase of waste Bins (waste management programme)	-To enhance city capacity to manage waste	-Enhanced waste management capacity	-No of bins purchased	100% Complete
Equipping and improving of Kosawo fitness centre	-To provide quality fitness services to the community	-A well-equipped fitness centre	-Number of equipment purchased and installed	100% Complete
Rehabilitation of Grace Onyango Social Centre	-To increase access to social and community services	-Enhanced socio-economic livelihoods of the residents	-Rehabilitated Social Centre	100% Complete

Program	Objective	Outcome	Indicator	Performance
Equipping of Rotary (Business Innovation Centre)	-To operationalize the ICT Hub within the Centre	-ICT Hub in operation	-The number of Equipment purchased and installed	100% Complete
Civil works at Uhuru Business Park.	-To improve access, drainages and safety	-Improved accesses, drainages and safety	-No of accesses and drainages improved	100% Complete
Tree planting and Greening of open spaces and road corridors	-To improve tree cover within the city	-Tree cover improved	-No of trees planted	100% Complete
Rehabilitation and Equipping of Mama Ngina Children's Home	-To provide safe spaces for vulnerable children	-Safe spaces provided	Rehabilitated Children's home	90% Complete
Desiltation and opening of Drainages at several rivers in the city	-To moderate flooding effects at downstream. - -To enhance proper stormwater channelling	-Impact on Periodic Flash Flooding (PFF)	- Mitigated effects of flash floods at down streams. - Restoration of rivers to their natural states. -Optimized river capacity to channel stormwater	100% Complete
Purchase of revenue skips for Kondele East and West	-To enhance city capacity to manage waste	-Enhanced waste management capacity	-No of skips purchased	100% Complete

The projects above have enabled the part achievements of the city's objectives. Most of them have been completed.

7. Corporate Governance Statement

a. Process of appointment and removal of Board members.

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

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

Urban Areas and Cities act section 16 stipulates that:

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

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

b. Roles and functions of the City Board members,

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

- (a) Oversee the affairs of the city or municipality;
- (b) Develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services;
- (c) Formulate and implement an integrated development plan;

- (d) control land use, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centres, residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and freight and transit stations within the framework of the spatial and master plans for the city or municipality as may be delegated by the county government;
- (e) As may be delegated by the county government, promote and undertake infrastructural development and services within the city or municipality;
- (f) Develop and manage schemes, including site development in collaboration with the relevant national and county agencies;
- (g) Maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board; (h) administer and regulate its internal affairs;
- (i) Implement applicable national and county legislation; [Rev. 2012] No. 13 of 2011 Urban Areas and Cities 13 [Issue 1]
- (j) enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions under this Act or other written law;
- (k) monitor and, where appropriate, regulate city and municipal services where those services are provided by service providers other than the board of the city or municipality; (l) prepare and submit its annual budget estimates to the relevant County Treasury for consideration and submission to the County Assembly for approval as part of the annual County Appropriation Bill;
- (m) as may be delegated by the county government, collect rates, taxes levies, duties, fees and surcharges on fees;
- (n) settle and implement tariff, rates and tax and debt collection policies as delegated by the county government;
- (o) Monitor the impact and effectiveness of any services, policies, programmes or plans;
- (p) Establish, implement and monitor performance management systems;
- (q) Promote a safe and healthy environment;
- (r) Facilitate and regulate public transport; and
- (s) Perform such other functions as may be delegated to it by the county government or as may be provided for by any written law.

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

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

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

COMMITTEE	DATE OF MEETING	VENUE
Finance, Hr, and ICT	15/09/2022	Equator Resort - Vihiga
Mandatory full board meeting	16/09/2022	Equator Resort -Vihiga
Mandatory full board meeting	05/10/2022	SOSA Cottages-Vihiga
Mandatory full board meeting	28 th June 2023	City Hall -Kisumu

e. Succession plan,

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

f. Existence of a service charter,

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

g. Conflict of interest,

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

h. Board remuneration,

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

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

None has been carried out so far.

8. Management Discussion and Analysis

a) The Operational and Financial Performance

The County Government of Kisumu allocated **KShs. 576,700,138** to the City of Kisumu during the Financial year 2022/2023. By 30th June 2023 **KShs. 474,275,223 (82%)** had been utilized with actual payments of **KShs. 409,820,370 (71%)** the difference being unpaid processed payments of **kshs.64,454,848 (11%)**.

b). Key Projects or Investments decision implemented or Ongoing

The city of Kisumu had rolled out projects as stated in the budget for the FY 2022/2023 that were funded by the county Government of Kisumu

Projects that were implemented includes:

- i) Renovation of slaughter house
- ii) Upgrading of streetlights & cctv cameras
- iii) Upgrading of streetlights within estates
- iv) Partitioning of office at new fire station
- v) Purchase of waste Bins (waste management programme)

c). Compliance with Statutory requirement

- The city has been remitting its statutory deductions to the relevant institutions on time as required.
- Preparations and submission of quarterly financial reports has been adhered to by the City.
- The City Board held the meetings during the period as required by the Urban Areas and Cities Act 2011 and as amended in 2019.
- Submission of Quarterly and Annually report PPRA (Public Procurement and Regulatory Authority) to the County for onward submission.

d). Major risks facing the city

- i. Inadequate budgetary allocation

The city of Kisumu cannot meet its operational costs and lack of implementation the key projects due to inadequate budgetary allocation.

ii. Inadequate resources

Human and capital resource are inadequate as most of the resources are held by county and are yet to be transferred. This has made operations of city to be difficult due to lack of personnel, machineries and equipment's.

iii. Delay in Payments /Inadequate cash disbursement

The County Government of Kisumu allocated Ksh. 576,700,138 to the City of Kisumu during the financial year 2022/2023. By 30th June 2023 **KShs. 474,275,223 (82%)** had been utilized with actual payments of **KShs. 409,820,370 (71%)** the difference being unpaid processed payments of **kshs.64,454,848 (11%)**.

9. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

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

2. Environmental performance

The city of Kisumu draws its mandate from the Constitution of Kenya 2010, County Government Act, EMCA 1999 (Cap 387) and Urban Areas & Cities Act. The department's mandate under Urban Areas and Cities Act includes: -Development control, Solid waste management, Air pollution control, Noise pollution control, Management of recreational parks and open spaces and, Conservation and protection of sensitive ecosystems (wetlands & marine front).

The City has embarked on a City-wide greening initiative to enhanced tree cover and mitigate the effect of the Climate Change.

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

Success and shortcomings of the organization

Success

- Approved Local Physical Detailed Land Use Plan
- Approved Mobility Plan
- Sustainable cleaning of coded city streets to ensure a clean, safe and healthy environment

- Establishment of waste material recovery centres for waste recycling and re-use
- Improvement of waste evacuation activities through procurement of refuse skip bins and loaders
- Collaborative partnership between City Environment Directorate, Kisumu City Waste Actors Network and Civil Society Urban Development Platform (CSUDP) for development of waste recycling enterprise development
- City greening and beautification (urban aesthetics), including upgrading of city recreational parks, roundabouts, flower gardens and road medians
- Continuous awareness creation and surveillance activities to control noise pollution
- Successful tree planting activities in collaboration with other partners and educational institutions
- Improved sanitation at the Slaughter House

Shortcomings

- Inadequate funding to acquire equipment for waste management generated by the city
- Inadequate budgetary allocation for environmental programmes, projects and activities
- Poor attitude of urban population towards good environmental practices

Efforts to manage biodiversity.

- In line with the City Local land use plan, under the Environmental management plan, the city has designed the Dunga Waterfront development plan for implementation. This entails Auji Creek, the Dunga wetland, Board Walk to protect and conserve the biodiversity along the lake front
- City of Kisumu has developed a Local Physical Detailed Land Use Plan, which has zoned and mapped out specific areas as sensitive ecosystems
- Restoration and protection of urban rivers in collaboration with catchment community CBOs
- City of Kisumu continues to partner with the tree nursery vendors to propagate both indigenous and exotic seedlings for planting

Solid waste management policy

City of Kisumu continues to implement the Kisumu integrated Solid waste management strategy (2015-2025) alongside County waste management Act and Nationally Policy and Legislative Framework for Solid Waste Management

Efforts to reduce environmental impacts

The city continues to strengthen and support the department of Environment with resources and staff for a better management of a sustainable urban environment.

3. Employee welfare

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

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

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

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

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

Appraisals are done annually with continuous monitoring throughout the year. Discussions between the employees and their immediate supervisors is done during appraisal.

a) Responsible Supply chain and supplier relations

(i) We maintain good business practice by ensuring that we follow the Public

Procurement and Asset Disposal Act accompanying Regulation.

- (ii) We also maintain good business practising by ensuring that all our customers are treated equally and encourage competition among our customers.
- (iii) We also ensure good practice by ensure transparency and accountability.
- (iv) Prepare Annual Procurement Plan as per the approved Budget
- (v) Maintain the list of the Registered Suppliers
- (vi) Keep procurement records
- (vii) Maintain Stores records

4. Community Engagements

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

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

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

10. Report of the City Board Members

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

Principal activities

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

Performance

The performance of the city for the period ended 30th June 2023 are set out on page 1

Board Members

The members of the Board who served during the year are shown on page xiii-x. There were no changes in the Board during the period ended 30th June 2023.

Auditors

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

By Order of the Board



.....
Name: Mariella Awuor

Ag. Secretary of the Board

11. Statement of Management's Responsibilities

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

The City manager is responsible for the preparation and presentation of the City financial statements, which give a true and fair view of the state of affairs of the City for and as at the end of the period ended 30th June 2023. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the City.
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud.
- (iv) Safeguarding the assets of the city.
- (v) Selecting and applying appropriate accounting policies.
- (vi) Making accounting estimates that are reasonable in the circumstances.

The City Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The City Manager is of the opinion that the financial statements give a true and fair view of the state of City, s transactions during the period ended 30th June 2022, and the financial position as at that date.

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

City ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

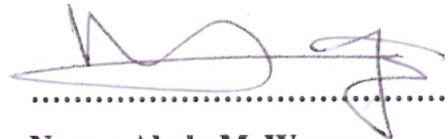
Approval of the financial statements

The City's financial statements were approved by the Board on 19th September 2023 and signed on its behalf by:



.....

Name: Elijah Onyango Adul
Chairperson of the Board



.....

Name: Abala.M. Wanga
Accounting officer of the Board

REPUBLIC OF KENYA

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Enhancing Accountability

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CITY OF KISUMU FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the Financial Statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, 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 STATEMENT

Adverse Opinion

I have audited the accompanying financial statements of City of Kisumu set out on pages 39 to 73, which comprise of the statement of financial position as at 30 June, 2023, and

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

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the City of Kisumu as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and the Urban Areas and Cities Act, 2011.

Basis for Adverse Opinion

1. Unsupported Receivables

The statement of financial position and as disclosed in Note 9 to the financial statements reflects an amount of Kshs.347,500,886 relating to receivables from non-exchange transactions. As reported in the previous year, the amount of Kshs.347,500,886 related to amounts receivable from the Kenya Urban Support Project (KUSP) for pending payable under a Project financed by the World Bank. The amount is also accounted for as a credit and is part of trade and other payables disclosed in Note 10 to the financial statements.

Management has not indicated how the amount of Kshs.347,500,886 will be collected considering that the Project ended on 30 June, 2022. In addition, the debt was neither represented by any contracted works or services nor a binding obligation from KUSP to fund the City after project closure.

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

2. Unsupported Trade and Other Payables

The statement of financial position and as disclosed in Note 10 to the financial statements reflects a balance of Kshs.414,688,082 relating to trade and other payables. This balance is a net of the brought forward amount of Kshs.566,956,402, additional amount in the year of Kshs.64,454,848 and an amount of Kshs.216,723,169 that was paid during the year.

However, the current year's additional trade and other payables balance of Kshs.64,454,848 was not supported with original unpaid supplier invoices.

In the circumstances, the completeness and accuracy of the disclosed trade and other payables balance could not be confirmed.

3. Failure to Recognize Assigned Assets

The statement of financial position reflects a balance of Kshs.1,275,301 under non-current assets, which as disclosed in Note 12 to the financial statements relates to Urban Development Grant Projects (KUSP). However, the City has been assigned property, plant and equipment of unquantified value to enable it carry out its intended functions. These property, plant and equipment include premises, tractors, motor vehicles and other equipment used by the Board. In addition, budgetary provisions were made to run the property, plant and equipment. However, neither documentary evidence was provided to show the value of the property, plant and equipment assigned to the Board nor have they been reported in the financial statements in line with IPSAS.

In addition, there is a significant difference between the prior year reported balance of non-currents asset of Kshs.305,040,557 and current year balance of Kshs.1,275,301. The reduction of non-current assets by Kshs.303,765,256 lacked a valid explanation as to why most assets hadn't been disclosed.

In the circumstances, the completeness, accuracy and existence of the non-current assets disclosed at Kshs.1,275,301 could not be confirmed.

4. Unsupported Use of Goods and Services

The statement of financial performance reflects an amount of Kshs.264,569,991 under use of goods and services. This amount, and as disclosed in Note 4 A to the financial statements relates to amounts paid in cash of Kshs.200,115,143 and an amount of Kshs.64,454,848. However, the completeness, accuracy and the propriety of the expenditure could not be confirmed due to the following;

- i. The details of the routine maintenance costs on buildings, vehicles, other assets and other equipment all totaling Kshs.77,147,704 though provided for audit could not be confirmed to specific assets. These assets were not recorded in the books of the City.
- ii. The Management incurred an amount of Kshs.33,500,000 on fuel, oil and lubricants. However, the details of the serviced motor vehicles were not provided for audit.

In the circumstances, the cost of goods and services, amounting to Kshs.264,569,991 could not be confirmed.

5. Unsupported Staff Costs

The statement of financial performance reflects an amount of Kshs.236,684,132 under staff costs. However, these are the staff members seconded to the City whose salaries were paid directly by the County Executive. However, no records were provided to show the number of staff members who were seconded to the City of Kisumu.

In the circumstances, the completeness and accuracy of the reported staff costs totaling to Kshs.236,684,132 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on a comparable basis of Kshs.582,033,100 and Kshs.461,764,300 respectively, resulting to an underfunding of Kshs.120,268,800 (or 21%) of the budget. Similarly, Management expended Kshs.527,487,508 against an approved budget of Kshs.578,134,481 resulting to an under-expenditure of Kshs.50,646,973 (or 9%) of the budget.

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

My opinion is not modified in respect to this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Incomplete Projects

The statement of financial position in the previous year reflected property, plant and equipment for five (5) projects, which remained incomplete to date as detailed below:

1.1 Construction of the Non-motorized Transport System Phase 2

Management signed a contract on 4 August, 2020 for the construction of a non-motorized transport system phase 2 at a contract sum of Kshs.659,065,834, and an implementation period of twenty-four (24) months and expected completion date of 3 August, 2022. During the year under review, the contractor was not paid and thus cumulative total payments remained at Kshs.455,409,872 or 69% of the contract sum and the actual completion status was estimated at 75%. Physical verification carried out in November, 2023 revealed that the project remained incomplete and in the same state as reported previously, Management has indicated that the incomplete works have been removed from the original contract scope therefore, the revised completed scope forms 75% of the original contract. The Final contract sum at handing over is Kshs.499,352,062.77 and the de-scoped works of 24% to be packaged and implemented in the next KUSP. The amount paid to date for the revised scope is Kshs.455,409,873 with a balance of Kshs.43,942,189.77 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects to date could not be confirmed and Management was in breach of the law.

1.2 Improvement of Jomo Kenyatta Sports Ground

Management signed a contract on 14 August, 2020 for the improvement of Jomo Kenyatta sports ground at a contract sum of Kshs.111,328,291, and an implementation period of twenty-four (24) months and expected completion date of 13 August, 2022. During the year under review, the contractor was not paid however, cumulative total payments are Kshs.56,739,433 or 51% of the contract sum and the actual completion status was estimated at 88%. Physical verification done in November, 2023 revealed that the project remains incomplete and in the same state as reported, Management has indicated that the incomplete works have been removed from the original contract scope and are now planned for implementation in phase II.

The revised completed scope forms 84% of the original contract. The final contract sum at handing over is Kshs.93,832,288. The de-scoped works of 16% to be packaged and implemented in the next Kenya Urban Support (KUSP) Project Phase II. The amount paid to date for the revised scope is Kshs.56,739,433 with a balance of Kshs.37,092,855.65 committed to be paid by the county executive in the next financial year. However, there is no evidence that the World Bank will finance Phase II of the project.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

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

Management signed a contract on 7 August, 2020 for the Upgrade of Jamhuri gardens, market park, botanical garden and streetscaping at a contract sum of Kshs.111,756,241, implementation period of twenty-four (24) months and expected completion date of 6 August, 2022. During the year under review, the contractor was not paid leading to cumulative total payments of Kshs.93,811,760 or 84% of the contract sum and the actual completion status was estimated at 88%. Physical verification in November, 2023 revealed that the market park was not completed but was in use.

The revised completed scope forms 95% of the original contract. The final contract sum at handing over is Kshs.105,959,233.85. The de-scoped works of 5% to be packaged and implemented in the next KUSP. The amount paid to date for the revised scope is Kshs.93,811,760.00 with a balance of Kshs.12,147,473.85 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

1.4 Construction of Nyamasaria Bus Park

Management signed a contract on 4 August, 2020 for the construction of Nyamasaria Bus Park at a contract sum of Kshs.99,883,902, implementation period of twenty-four (24) months and expected completion date of 3 August, 2022. During the year under review, the contractor was not paid leading to cumulative total payments of Kshs.99,883,902 or 100% of the contract sum and the actual completion status was estimated at 95%. However, physical verification in November, 2023 revealed that the project was not complete, the contractor was not on site

The projected final account at handing over is Kshs.105,959,233.85. The amount paid to date for the certified works is Kshs.65,253,146 with a pending certificate of Kshs.16,605,870.22 and uncertified amount of Kshs.19,776,469.46 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

1.5 Construction of Kaloleni Community Centre

Management signed a contract on 7 August, 2020 for the construction of Kaloleni Community Centre at a contract sum of Kshs.151,468,960, implementation period of twenty-four (24) months and expected completion date of 6 August, 2022. During the year under review, the contractor was paid Kshs.22,032,780 leading to cumulative total

payments of Kshs.53,229,171 or 35% of the contract sum and the actual completion status was estimated at 68%. However, physical verification in November, 2023 revealed that the project had been suspended due to funding delays.

The projected final account at handing over is Kshs.151,468,960. The amount paid to date for the certified works is Kshs.57,085,760 with a pending certificate of Kshs.38,346,934.55 and uncertified amount of Kshs.56,036,265.45 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Autonomy for the Board of Management

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

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

The audit was conducted in accordance with the ISSAIs 2315 and ISSAIs 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall

governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the City Board

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 Board's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Board to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Board to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

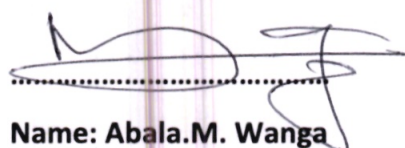
25 March, 2024

City of Kisumu
County Government of Kisumu
Annual Report and Financial Statements for the year ended June 30, 2023

13. Statement of Financial Performance for The Year Ended 30th June 2023.

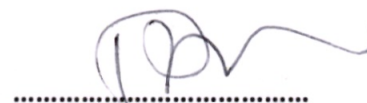
Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfers from the County Government	1	456,590,380	489,444,572
Public contributions and donations	2	550,000	
Other revenues from non-exchange transactions	3	3,348,619	-
Revenue from non-exchange transactions		460,488,999	489,444,572
Total revenue		460,488,999	489,444,572
Expenditure			
Use of goods and services	4	264,569,991	422,784,772
Staff costs	5	236,684,132	261,177,762
Board expenses	6	24,958,084	24,527,703
Total expenses		526,212,207	708,490,236
Surplus/(deficit) for the period		(65,723,208)	(219,045,664)

The entity financial statements were approved on 19th September 2023 and signed by:



Name: Abala.M. Wanga

City Manager



Name: Peresia Omino

Head of Finance

ICPAK M/No 8470

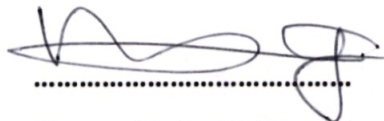
14. Statement of Financial Position as at 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents.	7	188,687	1,804,974
Receivables from exchange transactions		-	-
Receivables from Non- exchange transactions	9	347,500,886	347,500,886
Total current assets		347,689,573	349,305,860
Non-current assets			
PPE (WIP)	12	1,275,301	305,040,557
Total Non-current Assets		1,275,301	305,040,557
Total assets		348,964,874	654,346,417
Liabilities			
Current liabilities			
Trade and other payables	10	414,688,082	566,956,402
Total current liabilities		414,688,082	566,956,402
Total liabilities		414,688,082	566,956,402
Net assets			
Capital/Development Grants/Fund			306,435,679
Accumulated surplus		-65,723,208	-219,045,664
Total net assets and liabilities		348,964,874	654,346,417

Notes:


- Receivables amount of kshs.347,500,886 remained the same as it was not remitted by the world bank as expected,
- Kshs,1,275,301 under PPE (WIP) was part of payments under UDG project
- Trade Payables has decreased from 566,956,402 to kshs.414,688,082 due to payments made during the financial year of Kshs.216,723,169 and trade payables for the financial year of Kshs.64,454,848

The entity financial statements were approved on 19th September,2023 and signed by:



Name: Abala.M. Wanga

City Manager



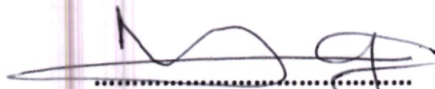
Name: Peresia Omino

Head of Finance

ICPAK M/No 8470

15. Statement of Changes in Net Assets for the Year Ended 30th June 2023

Description	Capital/ Development Grants/Fund	Accumulated Surplus	Total
		Kshs.	Kshs.
Bal as at 1 July 2021 (previous year)	-	-	-
Surplus/(deficit) for the year		(219,045,664)	(219,045,664)
Funds received during the year	306,435,679		306,435,679
Revaluation gain	-	-	-
Bal as at 30 Jun 2022	306,435,679	(219,045,664)	87,390,015
Bal as at 1 July 2022 (current year)	-	87,390,015	87,390,015
Surplus/(deficit) for the year		(65,723,208)	(65,723,208)
Funds received during the year	-	-	-
Balance as at 30 June 2023		21,666,807	21,666,807



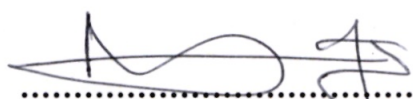
Name: Abala.M. Wanga
City Manager



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

16. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs.	Kshs.
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	456,590,380	489,444,572
Public contributions and donations	2	550,000	
Other Receipts	3	3,348,619	-
Total Receipts		460,488,499	489,444,572
Payments			
Use of goods and services	4A	200,115,143	203,329,256
Staff costs	5	236,684,132	261,177,762
Board expenses	6	24,958,084	24,527,703
Total Payments		461,757,359	489,034,721
Net cash flows from operating activities	11	(1,268,360)	409,851
Cash flows from investing activities			
PPE (WIP)	12	(1275,301)	(305,040,557)
Net cash flows used in investing activities		(1,275,301)	(305,040,557)
Cash flows from financing activities			
Public Contributions & donations	2	550,000	306,435,679
Net cash flows used in financing activities		550,000	306,435,679
Net increase/(decrease) in cash & cash equivalents		(1993,661)	1,804,974
Cash And Cash Equivalents At 1 July		1,804,974	-
Cash And Cash Equivalents At 30 June	8	188,687	1,804,974



.....
Name: Abala.M. Wanga

City Manager



.....
Name: Peresia Omino

Head of Finance
ICPAKM/No.8470

City of Kisumu
County Government of Kisumu
Annual Report and Financial Statements for the year ended June 30, 2023

1. Statement of Comparison of Budget & Actual Amounts for the Year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	KShs.	KShs.	KShs.	KShs.	KShs.	
	A	B	c=(a+b)	d	e=(c-d)	f=d/c
Revenue		KShs.	KShs.	KShs.	KShs.	
Transfers from the County Government	460,627,886	116,072,252	576,700,138	456,590,380	120,109,758	79%
Public contributions and donation: Kibos Sugar		550,000	550,000	550,000	-	100%
Other Income		3,348,619	3,348,619	3,348,619	0	100%
Urban Development Grant Project (Bal.b/f)		1,434,343	1,434,343	1,275,301	159,042	89%
Total Revenue	460,627,886	121,405,214	582,033,100	461,764,300	120,268,800	79%
Expenses						
Urban Development Grant Project		1,434,343	1,434,343	1,275,301	159,042	89%
Use of goods and services	176,932,742	136,072,252	313,004,994	264,569,991	48,435,003	85%
Board expenses	25,000,000	-	25,000,000	24,958,084	41,916	100%
Staff Costs	258,695,144	(20,000,000)	238,695,144	236,684,132	31,226,644	99%
Total Expenditure	460,627,886	117,506,595	578,134,481	527,487,508	79,862,605	91%
Surplus for the period		3,898,619	3,898,619	5,166,979	(1,268,360)	

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Budget notes

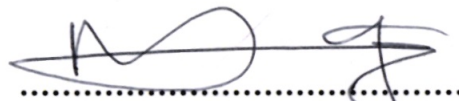
[Provide an explanation of differences between actual and budgeted amounts (any over utilisation and underutilisation of below 90%)]

*The difference in the budget is due to adjustments in the supplementary budget
Underutilisation is due to late approval of the supplementary budget. (Utilisation 82%)*

(Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes.

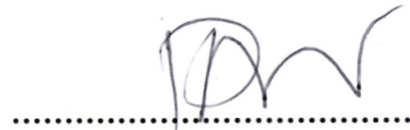
Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

The difference in the budget is due to adjustments in the supplementary budget.



Name: Abala.M. Wanga

City Manager



Name: Peresia Omino

Head of Finance
ICPAK M/No 8470

18. Notes to the Financial Statements

1. General Information

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

The principal activities:

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

2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector

County Government of Kisumu
City of Kisumu
Annual Report and Financial Statements for the year ended June 30, 2023

Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</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"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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</p>

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

Standard	Effective date and impact:
	now superseded by IPSAS 41 which is applicable from 1 st January 2023.

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

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</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 the financial year 2023.

(Notes to financial statements continued)

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the City upon receiving the respective approvals in order to conclude the final budget. Accordingly, the city recorded additional appropriations of **Kshs. 116,072,252** following the governing body's approval.

The City's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial

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

c) Property, plant and equipment

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

d) Intangible assets

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

e) Financial instruments

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

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

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

Financial liabilities

Classification

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

f) Inventories

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

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the City.

Provisions

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

g) Social Benefits

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

h) Contingent liabilities

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

i) Contingent assets

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

j) Nature and purpose of reserves

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

k) Changes in accounting policies and estimates

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

l) Employee benefits – Retirement benefit plans

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

m) Foreign currency transactions

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

n) Borrowing costs

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

o) Related parties

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

p) Cash and cash equivalents

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

q) Comparative figures

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

r) Events after the reporting period

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

Two types of events can be identified:

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

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

The City/Municipality should indicate whether there are material adjusting and non- adjusting events after the reporting period.

s) Currency

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

5. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made.

Estimates and assumptions.

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

Useful lives and residual values

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

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

Notes to the Financial Statements

1. Transfers from the County Government

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from County Govt. – Recurrent	24,967,000	24,500,000
Payments by County on behalf of the entity	431,623,380	464,944,572
Unconditional development grants	-	-
Total	456,590,380	489,444,572

2. Public Contributions and Donations

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Donation from development partners	-	306,435,679
Contributions from the public	550,000	-
Total	550,000	306,435,679

3. Other Revenues from Non-Exchange Transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from other government entities		-
Transfer from Teleposta Pension	848,619.00	-
Transfers from KIWASCO	2,500,000.00	-
Total	3,348,619	-

4. -A -Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Other Assts:		-
Actual Payments	200,115,143	
Trade Payables	64,454,848	-
Total	264,569,991	-

4 -B-. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Utilities, supplies and services	2,258,234	3,355,074
Communication, supplies and services	26,547	2,120,795
Domestic travel and subsistence	6,622,604	6,957,215
Foreign travel and subsistence	48,097	-
Printing, advertising, supplies & services	4,257,740	350,000
Uniforms & Clothing	2,065,562	
Sanitary & Cleaning Supplies	698,800	
Membership	32,500	47,500
Hospitality supplies and services	1,089,000	2,434,000
Insurance costs	5,851,303	10,135,700
Specialized materials and services	6,989,994	7,970,604
Office and general supplies and services	11,103,639	6,693,781
Fuel, oil and lubricants	33,500,000	18,000,000

County Government of Kisumu

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Other operating expenses (<i>Specify</i>)	2,634,200	42,519,501
Routine maintenance –Buildings	14,922,011	
Routine maintenance – vehicles	4,769,268	
Routine maintenance – other equipment	3,256,593	4,636,819
Routine maintenance – other assets	51,565,632	307,905,382
Contracted Professional Services	9,185,376	3,047,280
Audit fees/Legal Fees	-	4,988,000
Hire of Transport, equipment etc	39,122,080	1,605,000
Bank Charges	20,962	18,120
Social Benefit expenses*	95,000	
Total	200,115,142	

5. Staff Costs

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Salaries and wages	183,297,181	178,100,900
Staff gratuity	-	-
Social security contribution	53,386,951	28,544,311
Other staff costs (<i>Allowances</i>)	-	54,532,551
Total	236,684,132	261,177,762

6. Board expenses

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Sitting allowances	4,602,200	2,254,450
Medical Insurance	-	2,974,197
Induction and Training	2,948,275	-
Domestic-Travel and Accommodation	5,158,592	5,658,904
Foreign-Travel and Accommodation	5,732,000	5,839,840
Office & General Supplies	410,000	5,153,800
Conference Costs	1,494,777	2,554,140
Other allowances -	-	-
Mileage	-	92,371.60
Public Participation	4,612,240	
Total	24,958,084	24,527,703

7. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Cash in Hand	188,687	1,804,974
Total cash and cash equivalents	188,687	1,804,974

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
a) Current account			
KUSP UDG-KSM CITY (SBM)	152378640001	148,848	148,848
OPERATIONS (Equity)	1700280863160	36,502	4,656
Sub- total		185,350	153,503

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Financial institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
b) Others(specify)			
Cash in hand (Cash Book)			
KUSP UDG-KSM CITY (SBM)	152378640001	159,042	1,434,343
OPERATIONS (Equity)	1700280863160	29,644	370,631
Sub- total		188,687	1,804,974

9. Receivables from Non-exchange transactions

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Receivables	347,500,886	347,500,886
Total	347,500,886	347,500,886

10. Trade and other payables from non-exchange transactions

Description	2022/2023	2022/2023
	Kshs.	Kshs.
Trade payables		566,956,402
Balance b/f	566,956,402	
Payments during the year	216,723,169	
Current Years Payables	64,454,848	
Total trade and other payables	414,688,081	566,956,402

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11. Cash generated from operations

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	(65,723,208)	(219,045,664)
Payables for the current FY	64,454,848.	
Net cash flow from operating activities	-1,268,360	409,851

12.KUSP -URBAN DEVELOPMEN GRANT

URBAN DEVELOPMENT GRANT- UDG (KUSP)			
DATE	PAYEE	PARTICULARS	AMOUNT(KSH)
			Kshs.
14 Dec.2022	Polish Ontractors Co. Ltd	Being part payment of Kaloleni community Hall	1,208,359
14 Feb,2023	KRA	3% WHT	42,510
14 Feb,2023	KRA	2% VAT	24,432
TOTALS			1,275,301

Notes to the Financial Statements

8. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

9. Financial risk management

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

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

I. Credit risk

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

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

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statements representing the City/Municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
At 30 June 2023 (current year)				
Receivables from No-exchange transactions	-	-	347,500,886	347,500,886
Total	-	-	347,500,886	347,500,886
At 30 June 2022(previous year)				
Receivables from exchange transactions			347,500,886	347,500,886
Total			347,500,886	347,500,886

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
At 30 Jun 2023 (current year)				
Trade payables	-	-	64,454,848	64,454,848
Total	-	-	64,454,848	64,454,848
At 30 Jun 2022 (previous year)				
Trade payables			566,956,402	566,956,402
Total	-	-	566,956,402	566,956,402

III. Market risk

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

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

IV. 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.

V. Capital risk management.

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

19. Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	1. Transfers from the County Government	The City Boards reported balances was accurate and complete on the transferred amount of kshs.489,444,572 and not kshs.491.964,572 as reported by the County Treasury. The difference was due to overstated payments amount of kshs.2,520,000 by the County Treasury captured in the payment details yet the amounts were voided in the system and listed as trade payables by city board	Partially Resolved	
	2. Unsupported Receivables	The amount of kshs. 347,500,886 represent the	Not Resolved	

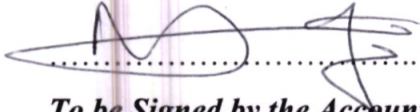
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>outstanding debts for KUSP projects that world bank funded as stated. Most of the works are in progress at an advanced stage of completion.</p> <p>Most of the projects stalled due to delayed payments caused by Non-Disbursement of Funds from World Bank through the National Treasury and state Department of Housing and Urban Development</p>		
	<p>Failure to Recognize Assigned Assets</p>	<p>The property, plant and equipment of unquantified value were transferred to enable city carry out its intended functions by the County Government without any official document. It's currently in the</p>	<p>Partially Resolved</p>	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		process of getting documentary evidence for the transfer that will enable it report in the financial statements in line with IPSAS		
	Lack of Autonomy of the Board of Management	It is true that City of Kisumu has not gained full autonomy as envisaged in the Urban Areas and Cities Act, 2011. However the County Government Management is in the process of ensuring that the City Management carries out its operations as stipulated in the law.	Not Resolved	

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report.

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



To be Signed by the Accounting officer of the Entity

County Government of Kisumu
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Appendix 2: Inter Entity Transfers

CITY/MUNICIPALITY NAME: CITY OF KISUMU				
Breakdown of Transfers from the County Executive of County Government of Kisumu				
FY 2022/2023				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (Kshs.)</u>	<u>Indicate the FY to which the amounts relate</u>
	County Government		456,590,000	2022-2023
		Total	456,590,000	

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



.....
Head of Finance
City of Kisumu



.....
Director of Finance
County Government of Kisumu

County Government of Kisumu

City of Kisumu

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CITY OF KISUMU		
TRIAL BALANCE FOR THE YEAR ENDED 30TH JUNE 2023		
Details	DR.	CR.
	Ksh.	Ksh.
Cash and cash equivalents	188,687	
Surplus b/d		0
Transfers from the County Government		456,590,380
Public contributions and donations		550,000
Other revenues (UDG Bal.B/f)		3,348,619
Trade and other payables		414,688,082
Receivables	347,500,886	
Expenses		
Urban Development Grant Projects	1,275,301	
Use of goods and services	264,569,991	
Staff costs	236,684,132	
Board expenses	24,958,084	
TOTAL	875,177,081	875,177,081