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REPORT

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THE AUDITOR-GENERAL

ON

KISUMU LAKEFRONT DEVELOPMENT CORPORATION

FOR THE YEAR ENDED 30 JUNE, 2025





OFFICE OF THE AUDITOR GENERAL
RECEIVED
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P. O. BOX 1108, KISUMU

KISUMU LAKEFRONT DEVELOPMENT CORPORATION

KISUMU COUNTY GOVERNMENT

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2025

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

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1. Acronyms and Definition of Key Terms

A: Acronyms

AGPO	Access to Government Procurement Opportunities
CEO	Chief Executive Officer
CECM	County Executive Committee Member
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
CT	County Treasury
CIDP	County Integrated Development Plan
CA	County Assembly
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PPPs	Public Private Partnerships
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
WB	World Bank

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

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

(b) Principal Activities

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

Creating a masterplan for the Lakefront

ii. Developing a policy framework for investments and cooperation.

iii. Mobilizing funds for development and maintenance of Lakefront facilities.

iii. Environment Operations will focus on creating a hospitable environment.

iv. Support Services are to be provided through project management of the implementation of Kisumu local, physical and land use development plan. Investment attraction and promotion within the County of Kisumu.

Key Management

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

Ref	Position	Name
1	Fund Administrator	Paul Waweru
2	Chief Officer	Martin Opiyo
3	Fund Accountant	Leticia Awuor
5	Human Resource & Team Lead	Patrick Obora Okoth

(c) Fiduciary Management

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

Ref	Position	Name
1.	Chairman of the Board	FCPA Edward Ouko
2.	Chief Executive Officer	Paul Waweru
3.	Director/Member	Mr. Philip Mainga
4.	Director/Member	Abala M. Wanga
5.	Director/Member	Amb. John Mwangemi
6.	Director/ Member	Eng. Israel Agina

(d) Fiduciary Oversight Arrangements

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

(e) Entity Headquarters

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

(f) Entity Contacts

E-mail: info@kisumulakefront.co.ke, chairman@kisumulakefront.co.ke
Website: www.kisumulakefrontdevelopment.co.ke

(g) Entity Bankers

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

(h) Independent Auditor

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

(i) Principal Legal Advisers

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





2. County Attorney

OTIENO N.O ALUOKA

County Government of Kisumu.
P.O. Box 2738-40100, 9th Floor -wing C
Kisumu, Kenya

3.The Board of Directors/Management

The Board of Directors during the financial year consisted of:

	<p>Edward Ouko- Chairperson</p> <p>FCPA Edward Ouko was appointed the Chairman of the board to the Kisumu Lakefront Development Corporation (KLDC)</p> <p>He holds a Bachelor in Commerce Degree (Hons) in Finance and Accounting from The University of Nairobi (UoN). A Fellow Member of the Institute of Certified Public Accountants of Kenya (FCPA) and Fellow Member of the Institute of Chartered Accountants of England and Wales (FACCA) and is a co-opted Council Member of the Institute representing Africa.</p>
	<p>Mr. Paul Waweru-Fund Administrator</p> <p>Mr. Njenga is a seasoned professional with an immense wealth of experience and skills spanning over 15 years in supply chain management, economic planning and investment advisory. He holds a Bachelor of Commerce degree. He has been Chief Officer for Finance and Economic planning in the county government of Laikipia and Kisumu.</p> <p>Mr. Waweru was appointed to the committee on 13th March 2024 and he is aged 46 years.</p>
	<p>Abala Michael Wanga- Director/Member</p> <p>A holder of Diploma in Health and Medical science from the Kenya Medical Training College, Bachelor in Law LLB (hons) from Kampala International University and Master of Business Administration (MBA) focused in Competitive Strategy on Stake Holders Management on implementation of Universal Healthcare from Strathmore University.</p>
	<p>OTIENO N.O ALUOKA</p> <p>A holder of a bachelor's degree in Law LLB (hons) from the university of Nairobi, a Post graduate Diploma in Law from the Kenya School of Law. Also, a member of the Law Society of Kenya (LSK).</p>



Eng. Israel Agina -Director/Member
a German trained Engineer, and holds a Diploma in Business Management from Helsinki School of Economics.





Philip Mainga-Director/Member

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

4. Key Management Team

The management during the financial year consisted of:

	<p>Mr. Paul Waweru- Fund Administrator</p> <p>Mr. Njenga is a seasoned professional with an immense wealth of experience and skills spanning over 15 years in supply chain management, economic planning and investment advisory. He holds a Bachelor of Commerce degree. He has been Chief Officer for Finance and Economic planning in the county government of Laikipia and Kisumu.</p> <p>Mr. Waweru was appointed to the committee on 13th March 2024 and he is aged 46 years.</p>
	<p>Ms. Leticia Awuor- Accountant Officer</p> <p>A CPA K' finalist, And Bachelor's degree in commerce finance option from Catholic University.</p>

5. Chairman's Statement

It is my pleasure to present the Kisumu Lakefront Development Corporation (KLDC) financial statements for the period ended 30th June 2025. The financial statements present the financial performance of the corporation over the past financial year.

Sustainability

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

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

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

Financial Performance

The County Government of Kisumu allocated **Kshs100,000,000** For Development Expenditure and KSH **20,000,000** for Recurrent Expenditure. Thus, a total of **KSH. 120,000,000** to Kisumu Lakefront Development Corporation (KLDC) during the financial year 2024/2025. As per the appropriation Act

Expenditures

Due to some legal challenges county government of Kisumu was not able to transfer funds to the corporation hence utilizing funds from County Treasury.

Challenges

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

The corporation has legal challenges

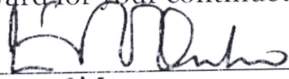
Non remittance of funds

- Payments taken to the County treasury takes too long to be processed and paid thus inadequate utilization of the full budget allocation.

Appreciation

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

I look forward for your continued support in the year 2025/2026.

Signed:  _____

Mr. Edward Ouko
Chairperson to the KLDC board

6. Report of the Chief Executive Officer.

The financial statements present the Entities financial performance for the just concluded year as follows.

Financial Performance

a) Revenue

In the year ended 30th June 2025, the fund had projected revenues of Kshs.**120,000,000**

b) Loans

During the financial year ended 30th June 2025 there were **no loan** acquired by the fund

Prior year adjustments

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

Conclusion

Despite the challenges faced the corporation was able to reach out to the various partners who have since committed to work with us so as to realise the development agenda for the lake front.

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

Signed: _____



Mr. Paul Waweru.
Chief Executive Officer

Kisumu Lakefront Development Corporation

7. Statement of Performance against Predetermined Objectives for FY 2024/2025

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer when preparing financial statements of each County Government Entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

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

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

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

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Kisumu Lakefront Development Corporation	To create a master plan for lakefront development	Lakefront 5 Year project operation plan approved by the Board of Directors	Project Plan and approved	In FY 24/25 KLDC 5 Year Project Operations approved. Cargo Facility Launched at Kisumu International Airport.
	To perform all the activities incidental thereto for the purposes of achieving the objectives of the PARTIES in the Joint Venture.	Joint Venture with United Green Invest	Joint venture signed	Project at Preliminary Due Diligence phase
	To promote Partnerships	Developed a work plan for Stakeholder engagement in Blue Economy sector	Held stakeholder engagement meetings with Kenya Maritime Authority	Signatory to the Lake Victoria Blue Economy Initiative
	mobilize for funds for the development and maintenance of the lakefront facilities	Held a successful Side event at the 9 th Edition Africities Summit	Mobilized funds for side event	Side event Held

8. Corporate Governance Statement

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

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

THE MANAGEMENT COMMITTEE

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

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

COMMITTEE MEETINGS

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

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

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

Auditor

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

9. Management Discussion and Analysis

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

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

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

BUSINESS PERFORMANCE

Revenue

The County Government of Kisumu made payments amounting to **Kshs.1,010,200** on behalf of the Kisumu Lakefront Development Corporation.

Cash flows

The cash and cash equivalents were recorded at **KSH.0.0** as at 30th June 2025. Having Closed the operations Accounts at Equity Bank. The Management is yet to open another Account.

OPERATIONAL PERFORMANCE

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

Conclusion

We appreciate the unrelenting support from the Corporation's Board of Directors, management, staff, the County Government, National government and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest in the FY 2024/2025.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give an account of the policies guiding the hiring process and whether they take into account the gender ratio, marginalized and people with disabilities, stakeholder engagements, and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA.)

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices. Also mention how the entity gives opportunities to AGPO and marginalised

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

11. Report of the Directors

The committee submit their report together with the audited financial statements for the year ended June 30th 2024 which show the state of the corporation's affairs.

Results

The results of the Fund for the year ended 30th June 2025 are set out on pages 11 to 36.

Auditors

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

By Order of the Committee

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30TH September 2024 and signed by:

Signed: _____



Mr. Paul Waweru
CHIEF EXECUTIVE OFFICER

KISUMU LAKEFRONT DEVELOPMENT CORPORATION

12. Statement of Directors Responsibilities

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

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

The Administrator of the County Public Fund accepts responsibility for the corporation financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the corporation is of the opinion that the Fund's financial statements gives a true and fair view of the state of Fund's transactions during the financial year ended 30th June, 2025, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the corporation, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

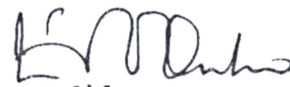
Approval of the financial statements

The corporation's financial statements were approved by the committee on 27th October, 2025 and signed on its behalf by:



Mr. Paul Waweru.

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



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

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KISUMU LAKEFRONT DEVELOPMENT CORPORATION FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

A Disclaimer of Opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Kisumu Lakefront Development Corporation set out on pages 1 to 34, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in

Report of the Auditor-General on Kisumu Lakefront Development Corporation for the year ended 30 June, 2025

net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

Basis for Disclaimer of Opinion

1. Unsupported Ownership of the Corporation

Kisumu County Lakefront Development Act, 2021 states that the Corporation was established on 17 September, 2021 as a Special Purpose Vehicle (SPV), to develop and manage economic and social activities of the lakefront, mobilize resources and for opportunity connection purposes. However, it was not spelt out how the resources would be mobilized, or how the region's economy would be developed and managed. In addition, it has not been stated how the social activities would be developed or managed.

The certificate of incorporation provided for audit review in support of the Corporation indicates that a private limited company, Kisumu Lakefront Development Limited, was incorporated under the Companies Act, 2015 on 24 October, 2019. This indicates that the private company was incorporated two years prior to the enactment of the Kisumu County Lakefront Development Act, 2021.

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

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

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

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

2. Unaccounted for Receipts from the County Executive

The statement of financial performance reflects an amount of Kshs.1,010,200 relating to transfers in kind, being amounts paid on behalf of the Corporation by the County Executive. However, Report of Management Discussion and Analysis under business performance indicates that the County Government of Kisumu made payments amounting to Kshs.31,173,120 on behalf of the Corporation. However, the amount was not reflected in the statement of financial performance. In addition, it is not clear, and Management has not indicated what the payments related to.

In the circumstances, the completeness and accuracy of the disclosed incomes and expenditures in these financial statements could not be confirmed.

3. Unsupported Cash and Cash Equivalentents

The statement of financial position reflects a nil balance of cash and cash equivalentents as indicated in Note 29 to the financial statements. However, the bank reconciliations, bank statements and cash books for the two (2) bank accounts held at equity bank were not presented for audit review. Although Management had requested closure of account No.1700279796270 and 1700282539360 held at Equity Bank, through letter Ref. No. KC/FIN/B.ACCOUNTS/VOL.1/89 dated 17 March, 2024, no evidence was provided to confirm that the accounts were actually closed and funds in the bank transferred to the new open bank accounts.

In addition, the statement of cash flows reflects cash and cash equivalentents opening balance of Kshs.37,645 which does not agree with the reported balance of Kshs.9,153, leading to unexplained variance of Ksh.28,492. Further, the cash flow for the year under review does not indicate cash and cash equivalent at the beginning of the year of Kshs.9,153.

In the circumstances, the accuracy and completeness of cash and cash equivalentents nil balance could not be confirmed.

4. Inconsistency in the Disclosure of Revenue and Expenditure Incurred by the Corporation

The statement of comparison of budget and actual amounts capital expenditures budgeted amount and actuals of Kshs.100,000,000 and Kshs.1,010,200 respectively. However, the statement of financial position reflects Nil additions during the year leading to unexplained variance of Kshs.1,010,200. In addition, budget reconciliation with cash and cash equivalent was not done. In addition, the report of Management Discussion and Analysis under business performance indicates that the County Government made payments amounting to Kshs.31,173,120 on behalf of the Corporation. No reconciliation between the two sets of records have been made.

In the circumstances, the completeness and accuracy of the disclosed amount could not be confirmed.

5. Staff of the Kisumu Lakefront Development

Review of the annual report and financial statements and as disclosed under Key Entity Information and Management indicates that the Corporation has key management team. The team comprises of a Fund Administrator, a Chief Officer, a Fund Accountant, a Director Communication & Marketing and Human Resource Team. Management indicated that the Corporation has other staff members. These staff members are in the payroll of the County Executive and all their emoluments are met by the County, although the amounts are not included in these financial statements. They are therefore working on behalf of the private company, at the cost of the County Executive.

In the circumstances, the completeness of the disclosed expenditure on Kisumu Lakefront Development Limited could not be confirmed.

6. Appointment of the Board of Directors

The annual report and financial statements of the Corporation under key entity information and management indicates six (6) Board Members and four (4) Members of key management were in the office in the period under review. However, the recruitment and selection documents, and the appointment letters for the Management were not provided for audit review.

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

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

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

7. Lack of an Approved Budget

During the year under review, Management did not have an approved budget. This is contrary to Regulations 205(1) of the Public Finance Management County Government Regulations 2015, which provides that the County Executive Committee Member responsible for the county corporation shall approve the estimates of budget of the county corporation and shall, not later than end of January every year, submit to the County Treasury for approval of those estimates for the following financial year

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

8. Unresolved Prior Year Matters

In the prior year's audit, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during the audit of Lakefront Développement Corporation in 2024/2025 revealed that all the matters remained unresolved as detailed below:

	Year	Matter
1.	2023/2024	Unsupported Ownership of the Corporation
2.	2023/2024	Presentation of the Financial Statements as Lakefront Development Corporation although all Records belong to Kenya Lakefront Development Limited
3.	2023/2024	Staff of the Kisumu Lakefront Development Corporation
4.	2023/2024	Appointment of the Board of Directors
5.	2023/2024	Travel, Accommodation, Subsistence and Other Allowances
6.	2023/2024	Unsupported Bank Account and Transactions
7.	2023/2024	Lack of an Approved Budget
8.	2023/2024	Lack of Risk Management Policy
9.	2023/2024	Lack of Internal Audit Reports
10.	2023/2024	Irregularities in Procurement for Goods and Services
11.	2023/2024	Unbudgeted for Expenditure

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

Conclusion

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

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

Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Companies Act, 2015 I report based on my audit that I did not obtain all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of the audit.

Responsibilities of the Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 November, 2025

Kisumu Lakefront Development Corporation

Kisumu County Government

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

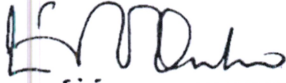
14. Statement of Financial Performance for the year ended 30 June 2025

	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from the County Government entities	6		11,200,000
Transfers in Kind (payment done directly by county of Kisumu)	7	1,010,200	-
Levies, Fines, and penalties	8	-	-
Public contributions and donations	9	-	-
Licenses, Fees, and Permits.	10	-	-
		1,010,200	11,200,000
Revenue from exchange transactions			
Rendering of services	11	-	-
Sale of goods	12	-	-
Rental revenue from facilities and equipment	13	-	-
Finance income	14	-	-
Other income	15	-	-
		-	-
Total revenue		1,010,200	11,200,000
Expenses			
Use of goods and services	16	1,010,200	11,228,492
Employee costs	17	-	-
Board Expenses	18	-	-
Depreciation and amortization expense	19	-	-
Repairs and maintenance	20	-	-
Contracted services	21	-	-
Grants and subsidies	22	-	-
Finance costs	23	-	-
Total expenses		1,010,200	11,228,492
Other gains/(losses)			
Gain/Loss on sale of assets	24	-	-
Gain/Loss on foreign exchange transactions	25	-	-
Gain /Loss on fair value of investments	26	-	-
Impairment loss	27	-	-
Surplus/ (deficit) before tax		-	-
Taxation	28	-	-
Surplus/(deficit) for the period/year		-	-
Remission to County Treasury	47	-	-
Net Surplus for the year		-	(28,492)

Kisumu Lakefront Development Corporation

Kisumu County Government

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



Name: Edward Ouko
Chairman of the Board

Date: 30/9/2025



Name: Paul Waweru
Accounting Officer

Date: 30/9/2025



Name: Leticia Awuor
Head of Finance

ICPAK M/No:20301

Date: 30/9/2025

15 Statement of Financial Position as at 30 June 2025

	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	29	0.00	9153
Receivables from Exchange Transactions	30	0	0
Receivables from Non-Exchange Transactions	31	0	0
Inventories	32	0	0
Investments in financial assets	33	0	0
Prepayments	33	0	0
Total Current Assets		0.00	9153
Non-Current Assets		0.00	
Receivables from Exchange Transactions	30	0	0
Investments in financial assets	33	0	0
Property, Plant and Equipment	35	0	0
Intangible Assets	36	0	0
Investment Property	37	0	0
Total Non- Current Assets		0.00	0
Total Assets (A)		0.00	9153
Liabilities			
Current Liabilities			
Trade and Other Payables	38	0.00	0
Refundable Deposits from Customers	39	0.00	0
Current Provisions	40	0	0
Finance Lease Obligation	41	0	0
Deferred Income	42	0	0
Employee Benefit Obligation	43	0	0
Payments received in advance	44	0	0
Short term borrowings (Current portion)	45	0	0
Service Concession Arrangements	46	0	0
Taxation	47	0	0
Total Current Liabilities		0.00	0
Non-Current Liabilities			
Non-Current Provisions	40	0	0
Non-Current Employee Benefit Obligation	43	0	0
Long term Borrowings	45	0	0
Service Concession Liability	46	0	0

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Deferred Tax Liabilities	49	0	0
Total Non- Current Liabilities		0	0
Total Liabilities (B)		0	0
Net Assets (A-B)		0	9153
Represented By:			
Balance B/D		0	37645
Ordinary share capital		0	
Revaluation reserve		0	0
Accumulated Surplus		0	-28492
Capital fund		0	0
Net Assets		0	9153



Name: Edward Ouko
 Chairman of the Board

Date.....



Name: Paul Waweru
 Accounting Officer

Date.....



Name: Leticia Awuor
 Head of Finance
 ICPAK M/No:20301

Date... 30/9/2025

16. Statement of Changes in Net Assets for the year ended 30 June 2025

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Accumulated Surplus	Proposed dividends	Capital/ Development Grants/Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1,2023 (Previous FY)	37,265.80	0	0	0	0	-	37,265.80
Issued new capital	-	0	0	0	0	-	-
Revaluation gain	-	0	0	0	0	-	-
Transfer of excess depreciation on revaluation	-	0	0	0	0	-	-
Deferred tax on excess depreciation	-	0	0	0	0	-	-
Fair value adjustment on investments	-	0	0	0	0	-	-
Surplus/ deficit for the year	-	0	0	0	0	-	-
Capital/development grants received during the year	-	0	0	0	0	11,200,000.00	11,200,000.00
Transfer of depreciation/amortisation from capital fund to retained earnings	-	0	0	0	0	-	-
Dividends paid	-	0	0	0	0	-	-
Interim dividends paid	-	0	0	0	0	-	-
Proposed final dividends	-	0	0	0	0	-	-
As at June 30,2024 (Previous FY)	37,265.80	0	0	0	0	11,200,000.00	11,237,265.80
As at July 1, 2024(Current FY)	37,265.80	0	0	0	0	11,200,000.00	11,237,265.80

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Issue of new share capital	-	0	0	0	0	-	-
Revaluation gain	-	0	0	0	0	-	-
Transfer of excess depreciation on revaluation	-	0	0	0	0	-	-
Deferred tax on excess depreciation	-	0	0	0	0	-	-
Fair value adjustment on investments	-	0	0	0	0	-	-
Surplus/ (deficit) for the year	-	0	0	0	0	-	-
Capital/development grants received during the year	-	0	0	0	0	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	0	0	0	0	-	-
Dividends paid	-	0	0	0	0	-	-
Interim dividends paid	-	0	0	0	0	-	-
Proposed final dividends	-	0	0	0	0	-	-
As at June 30,2025 (Current FY)	37,265.80	0	0	0	0	11,200,000.00	11,237,265.80

17. . Statement of Cash Flows for the year ended 30 June 2025

	Note	FY 2024-2025	FY 2023-2024
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from the County Government entities	6	1,010,200.00	11,200,000.00
Levies, Fines, and penalties	8	-	-
Public contributions and donations	9	-	-
Licenses and permits	10	-	-
Rendering of services	11	-	-
Sale of goods	12	-	-
Rental revenue from facilities and equipment	13	-	-
Finance income	14	-	-
Other income	15	-	-
Total receipts		1,010,200.00	11,200,000.00
Payments			
Use of goods and services	16	1,010,200.00	11,228,491.85
Employee costs	17	-	0
Board Expenses	18	-	0
Repairs and maintenance	20	-	0
Contracted services	21	-	0
Grants and subsidies	22	-	0
Finance costs	23	-	0
Tax paid	28	-	0
Total payments		1,010,200.00	9,995,878
Net cash flows from/(used in) operating activities	50	-	4,122
Cash flows from investing activities			

Kisumu Lakefront Development Corporation
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Purchase of PPE			0	0
Purchase of Intangible assets			0	0
Proceeds from sale of PPE			0	0
Purchase of investments			0	0
Sale of investments			0	0
Net cash flows from/(used in) investing activities			0	0
Cash flows from financing activities				
Proceeds from borrowings			0	0
Repayment of borrowings			0	0
Proceeds from issue of shares			0	0
Remission to County Treasury			0	0
Net cash flows from financing Activities			0	0
Net increase/(decrease) - cash & Cash equivalents			-	-
Cash & cash equivalents at the year Start	29		-	4,122
Cash and cash equivalents at the year End	29		-	33,523
NET Cash			-	37,645

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	c=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from the County Government entities	20,000,000.00	-	20,000,000.00	1,010,200	18,989,800.00	5%
Transfers in Kind	-	-	-	-	-	0
Levies, Fines, and penalties	-	-	-	-	-	0
Public contributions and donations	-	-	-	-	-	0
Licenses and permits	-	-	-	-	-	0
Rendering of services	-	-	-	-	-	0
Sale of goods	-	-	-	-	-	0
Rental revenue from facilities and equipment	-	-	-	-	-	0
Finance income	-	-	-	-	-	0
Other income	-	-	-	-	-	0
Total Income	20,000,000	-	20,000,000.00	1,010,200	18,989,800.00	5%
Expenses						
Use of goods and services	20,000,000.00	-	20,000,000.00	1,010,200.00	-	0
Employee costs	7,000,000	-	-	-	-	0
Communication	300,000	-	-	-	-	0
Repairs and maintenance	500,000	-	-	-	-	0
Domestic Travels and Subsistence	3,200,000	-	-	-	-	0
Foreign Travel	3,000,000	-	-	-	-	0
General office supplies	2,000,000	-	-	-	-	0
Printing and Advertising	2,000,000	-	-	-	-	0
Total Expenditure	20,000,000.00	-	20,000,000	1,010,200.00	18,989,800.00	0
Surplus/Deficit for the period						
Capital Expenditure	100,000,000	-	100,000,000	1,010,200.00	100,000,000	0

Justification for Non-Transfer of Funds to KLDC.

The Kisumu Lakefront Development Corporation (KLDC) did not receive a direct transfer of funds from the County Government of Kisumu due to an advisory letter issued by the **Office of the Controller of Budget (CoB)**, ref. no. COB/KSM/004/2(30).

This letter, issued after a review of the **Kisumu Lakefront Development Corporation Act, 2021**, recommended amendments to the Act to ensure its compliance with existing laws.

The County Government, in response to this advisory and to avoid legal and financial irregularities, opted to directly support the KLDC's activities from its own end. This direct support was a strategic decision to ensure the continued progress of lakefront development operations while the necessary legislative amendments to the Act were being processed. Essentially, the County Government acted as the direct facilitator activities & projects that would have otherwise been funded through the KLDC, thus circumventing the legal and procedural hurdles identified by the CoB's advisory.

This approach ensured that development activities were not stalled, and it provided a temporary, lawful mechanism for funding these initiatives until the KLDC Act could be amended to comply with the CoB's recommendations.

Kisumu Lakefront Development Corporation

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19. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

Kisumu Lakefront Development Corporation

Kisumu County Government

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3. Adoption of New and Revised Standards

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

There were no new and amended standards issued in the financial year.

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

Standard	Effective date and impact:
IPSAS 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. 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, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.

Kisumu Lakefront Development Corporation

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Standard	Effective date and impact:
	The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii. Early adoption of standards

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

Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Kisumu Lakefront Development Corporation 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 upon fulfilling the conditions set.

Kisumu Lakefront Development Corporation

Kisumu County Government

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Levies, Fines, and penalties

The Kisumu Lakefront Development Corporation. recognizes revenues from Levies, Fines, and penalties when the event occurs and the asset recognition criteria are met.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Kisumu Lakefront Development Corporation.

Interest income

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

Kisumu Lakefront Development Corporation

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Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for the Current FY was approved by the County Assembly on . Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of xxx on the 20xx budget following the governing body's approval. The 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. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting

date in the area where the *Entity* operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to

Kisumu Lakefront Development Corporation

Kisumu County Government

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

situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Entity* and the same taxation authority.

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Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.**(entity to amend appropriately based on the model adopted)** Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

f) Leases

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *Entity*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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g) Intangible assets

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

h) Research and development costs

The corporation expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *Entity* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

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

i) 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. 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.

i. 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

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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.

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.

Fair value through surplus or deficit

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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.

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 in Note

ii. Financial liabilities

Classification

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

j) 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:

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

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

k) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential

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will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

l) Contingent liabilities

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

m) Contingent assets

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

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

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

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or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

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

r) 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.

s) Related parties

The Entity regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

t) Service concession arrangements

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

u) 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

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balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

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v) Comparative figures

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

w) Subsequent events

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

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4. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. 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 Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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5. Transfers from County Government entities

Description	FY 2024-2025	FY 2023-2024
	KShs	KShs
Unconditional Grants		
Operational Grant	1,010,200.00	11,200,000.00
Unconditional development grants		
Other Grants	-	-
Total Unconditional Grants	1,010,200.00	11,200,000.00
Conditional Grants amortized/ transferred to revenue		
Housing Development Grant	-	-
Infrastructure Grant	-	-
Library Grant	-	-
Facilities Development Grant	-	-
Other Organizational Grants (specify)	-	-
Total Conditional Grants	-	-
Total	1,010,200.00	11,200,000.00

(Explain the purpose of funding)

a) Transfers from County Departments

Name of The Entity Sending The Grant	Amount recognized to Statement of Financial performance. *	Amount deferred under deferred income.	Amount recognised in capital fund.	Total transfers (Current FY)	Insert
County Department	1,010,200.00	-	-	1,010,200.00	-
					-
Total	1,010,200.00	-	-	1,010,200.00	-

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16. Use of Goods and Services

Description	FY 2024-2025	FY 2023-2024
	Kshs	Kshs
General office Supplies	-	1,063,156.00
Hospitality & Service	-	75,869.00
Catering services	-	3,003,891.00
Exhibitions	1,010,200.00	50,000.00
Printing & Advertising	-	2,891,944.35
Hire charges (e.g. hire of equipment)	-	-
Travel cost	-	354,230.00
Staff cost	-	-
Foreign Travel	-	373,744.00
Communication & Services	-	46,000.00
Travel, accommodation subsistence and other Allowances	-	3,359,200.00
Bank charges	-	10,457.50
Total	1,010,200.00	11,228,491.85

29. Cash and Cash Equivalents

Description	FY 2024-2024	FY 2021-2023
	Kshs	Kshs
Current Account	-	9,152.88
Others (<i>Specify</i>)	-	-
Total Cash and cash equivalents	-	9,152.88

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
a) Current Account			
Equity Bank.	1700279796270	-	8,774.38
Equity Bank.	1700282539360	-	378.50
Sub- Total		-	9,152.88

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b) Current Account		-	-
National Bank	7717904772		0.00
National Bank	7717904764		0.00
Sub- Total		-	-
c) Fixed Deposits Account		-	-
XXX Bank		-	-
XXX Bank		-	-
Sub- Total		-	-
d) Others (Specify)		-	-
Cash in Transit		-	-
Cash in Hand		-	-
Mobile Money Accounts		-	-
Sub- Total		-	-
Grand Total			9,152.88

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20. Appendices

Appendix 1: Implementation Status of Auditor General's Recommendations

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

	Auditor	comments		
<i>Kisumu County Government</i> Annual Report and Financial Statements for the year ended June 30, 2025				
Ownership of the Corporation	As reported in previous year, Kisumu County Lakefront Development Act, 2021 states that the Corporation was established on 17 September, 2021 as a Special Purpose Vehicle (SPV), to develop and manage economic and social activities of the lakefront, mobilize resources and for opportunity connection purposes. However, the certificate of incorporation provided for audit review indicates that on 24 October, 2019, Kisumu Lakefront Development Limited was incorporated under the Companies Act, 2015 as a private limited company.	<i>The management is in the process of correcting all the errors made in the process of Establishment of the Kisumu Lakefront Development Corporation (KLDC). However, its important to note that there is only one registered KLDC and the errors made during its incorporation are being corrected by the Register of companies.</i>	The issue has not been satisfactorily addressed.	Not Resolved
2.Lack of Risk Management Policy and a Disaster Recovery	Review of internal control records and information provided by Management revealed that the Coproration lacks a Risk Management Policy, contrary to the requirements of Section 158(1) of Public Finance Management (County Governments) Regulations, 2015. Further, the Corporation does not have in place disaster recovery and business continuity plans contrary to the provisions of Section 158 (1)(b) of the Public Finance Management (County Governments) Regulations, 2015. In the circumstances, the existence of effective measures to deal with risks and business continuity and disaster recovery could not be confirmed.	The management has acknowledged the observation made the Audit team and will embark on the development of the two policy documents and avail them in the next Audit	The issue has not been satisfactorily addressed.	Not Resolved
3.Lack of a Strategic Plan	Review of the records provided for audit revealed that the Corporation did not have a strategic plan and it is not clear how the Management will work towards attaining the vision for the future and identify	<i>The management has attached a copy of the KLDC Strategic plan 2023-2027 for audit review</i>	The issue has been satisfactorily explained	Resolved

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Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	the Corporation's goals and objectives.	<i>(See Annex 4.3)</i>		
4.Lack of an approved budget	During the year under review, Management did not have approved budget for the financial year 2023-2024 for Kisumu Lakefront Development Corporation as required by Regulations 2015 of the Public Finance Management County Government Regulations 2015. This was contrary to Regulations 205 of the Public Finance Management County Government Regulations 2015 states that, (1) The County Executive Committee Member responsible for the county corporation shall approve the estimates of budget of the county corporation and shall, not later than end of January every year, submit to the County Treasury for approval of those estimates for the following financial year	<i>The management has availed the approved budget for KLDC that was used the Financial Year 2023-2024</i> <i>See Annex 4.4</i>	The issue has been satisfactorily explained.	Resolved
5.0 Unsupported Appointment of Board of Directors	The annual report and financial statements of the Corporation under key entity information and management indicates six (6) Board Members and five (5) Members of key management were in the office in the period under review. However, the recruitment and selection documents, and the appointment letters for the Management were not provided for audit review. Further, Section 6.1(b) of the Act states that Chief Executive Officer (CEO) is appointed by the Governor of County Government of Kisumu, which contradicts Section 12(2) of the same Act, which states that the Managing Director would be appointed by the Board of Directors through a competitive process. The CEO is		The issue has not been satisfactorily explained The management.	Not Resolved

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Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe :
	defined in the financial statements as a Fund Administrator. In the circumstances, the regularity of the appointment of Board and staff in office could not be ascertained.			
6.Lack of Internal Audit Reports	During the year under review, the internal audit reports for the corporation was not provided for audit review. This was contrary to Section 153 (1) of the Public Finance Management (County Government) Regulations which require that the Internal Auditor shall review the effectiveness of the financial and non-financial performance management systems of the entities. In the absence of constant reviews by the internal audit unit, the effectiveness of internal control and risk management in relation to the Kisumu Lakefront Development Corporation for the year ended 30 June, 2024 could not be confirmed.	<i>The observation made by the Audit team is true. The management is making necessary adjustment in terms of staff capacity to include internal Auditor before the next Audit.</i>	The issue has not been satisfactorily explained.	Not Resolved
4.7.1 Lack of procurement plan and list of prequalified suppliers	Public Finance Management (County governments) Regulations, Regulation 114 (2) states that every year a procurement plan shall be prepared by Accounting Officers to form the basis for procurement activities undertaken by government entities in the fiscal year. The management of Kisumu Lakefront Development Corporation did not provide the procurement plans for the years 2022/2023, 2023/2024 and the list of prequalified suppliers and service providers were not provided for audit review. Therefore, it was not possible to determine how the winning bidder	<i>The management has attached procurement plan for FY 2023-2024 for audit review. Kisumu Lakefront relies on the prequalified companies listed in the County Government of Kisumu. The list is in the COK website. See Annex 4.71</i>	The issue has been satisfactorily explained	Resolved

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Paragraph number	Issue / Observations from Auditor	Management comments	Status:	Timeframe
	was invited for the tender/contract contrary to Regulation 33(3) of the Public Procurement and Asset Disposal Regulations, 2020.			
4.7.2 Failure to issue regret letters to unsuccessful bidders	<p>PPAD Act 87 (3) states that when a person submitting the successful tender is notified under subsection (1), the accounting officer of the procuring entity shall also notify in writing all other persons submitting tenders that their tenders were not successful, disclosing the successful tenderer as appropriate and reasons thereof.</p> <p>Review of payment vouchers and the supporting schedules reveal that KLDC did not notify unsuccessful bidders of tenders, of who was awarded the tender.</p>	<p><i>The management has availed copies of all the regret letters that were issued by to bidders.</i></p> <p><i>See Annex 4.7.2</i></p>	The issue has been satisfactorily explained.	Resolved
4.8 Travel Cost	<p>The statement of financial performance reflects use of goods and services expenditure amount of Kshs. 11,228,492 as disclosed in Note 16 to the financial statements. This amount includes payment of Kshs. 354,330 in respect of travel cost. However, a review the payment vouchers revealed that an amount of Kshs. 41,600 paid to Tovi Tours and Gdee Star were not supported with authority/ purpose for travel</p>	<p><i>The Management has attached the missing documents to further support the payments.</i></p> <p><i>See Annex 4.8</i></p>	The issue has been satisfactorily explained	Resolved

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Appendix II: Projects implemented

Projects implemented by the County Corporation and funded by development partners and/ or the County Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements. (Yes/No)

Status of Projects Completion

(Summarise the status of project completion at the end of each quarter, i.e. total costs incurred, stage which the project is etc)

SN	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds

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Appendix IV: Transfers from Other Government Entities

Name of the Entity Transferring the funds	Date received as per bank statement	Nature : Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
County dept	0	Recurrent	0	0	0	0	0	0	0
	0	Development	0	0	0	0	0	0	0
USAID	0	Donor Fund	0	0	0	0	0	0	0
	0	Direct Payment	0	0	0	0	0	0	0
Total			0	0	0	0	0	0	0

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Appendix V- Inter-Entity Confirmation Letter

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30th June (Current FY)

Reference Number	Date Disbursed	Amounts Disbursed by [CC/SAGA/Fund] (KShs) as at 30th June (Current FY)				Amount Received by [beneficiary Entity] (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Department (C)	Total (D)=(A+B+C)		
Total							

In confirm that the amounts shown above are correct as of the date indicated.

Head of Finance department of beneficiary Entity:

Name SignDate

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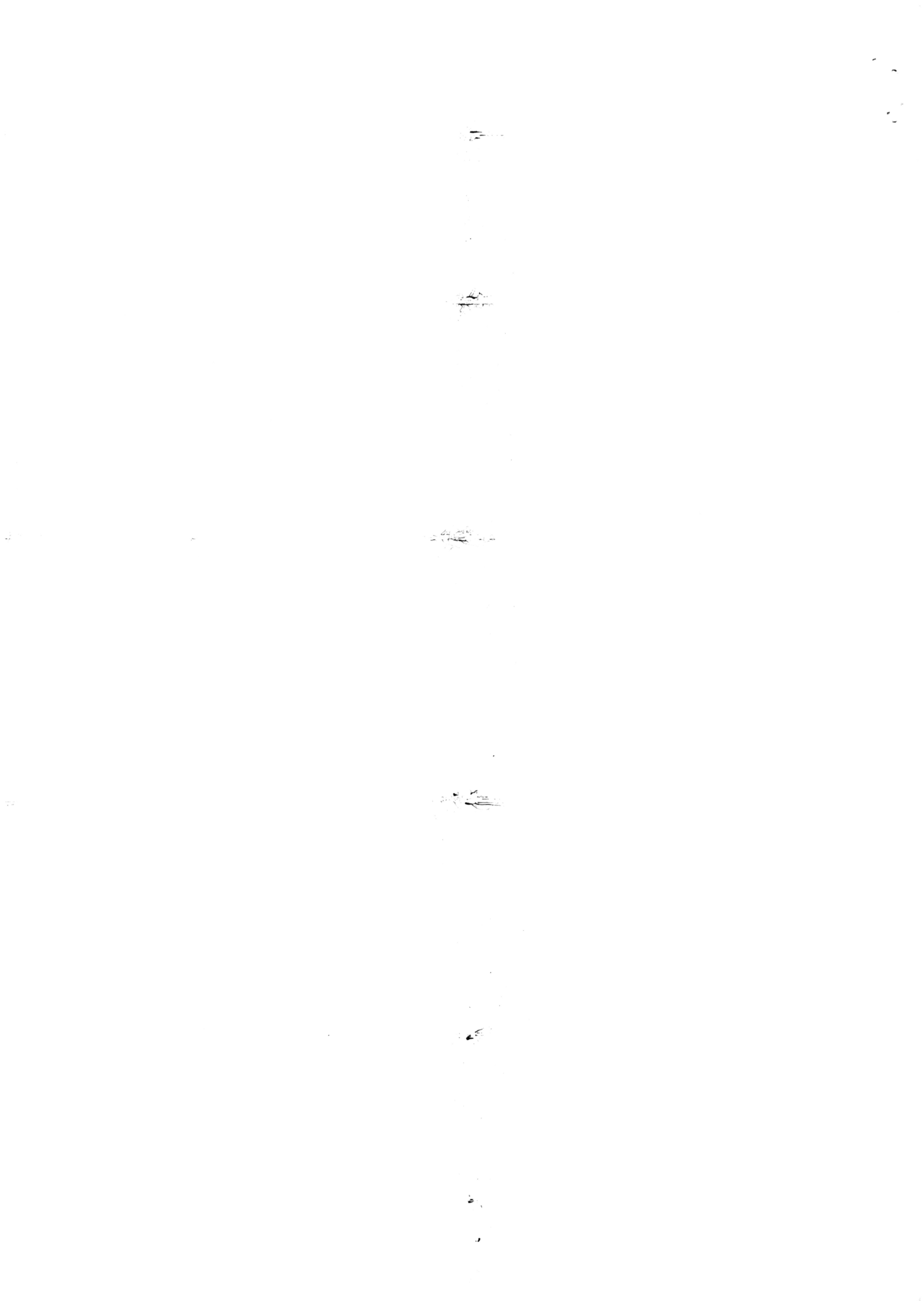
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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

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Appendix VII: Reporting on Disaster Management Expend

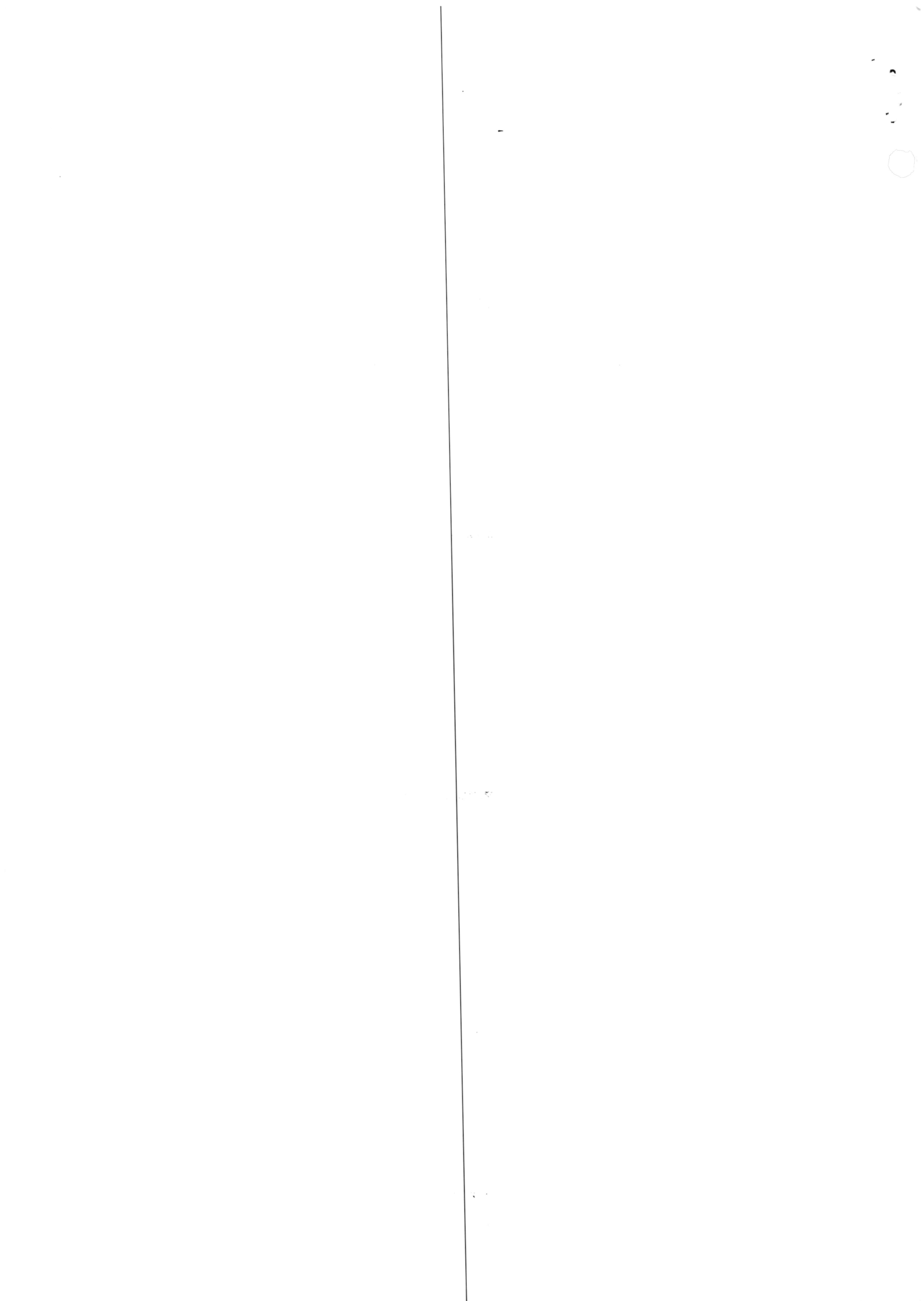


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Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Quarter				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix VII: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

