REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

RECEIVER OF REVENUE - REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2024

COUNTY GOVERNMENT OF KISUMU

Revised 30th June 2024

RECEIVER OF REVENUE
County Government of Kisumu

REVENUE STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024
AMENDED

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

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1. Acronyms and glossary of terms

a) Acronyms

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue

b) Glossary of terms

Comparative FY	Comparative Prior Financial Year
Fiduciary Management	The key management personnel who had financial responsibility

2. Key Entity Information and Management

(a) Background information

The *receiver of revenue* is under the Department of Finance. At the County Executive Committee level, the *Receiver of Revenue* is represented by the County Executive Committee Member for Finance, Economics and ICT Services, who is responsible for the general policy and strategic direction of the *Receiver of Revenue.* The *Receiver of Revenue* is designated as a receiver by the County Executive Committee Member for Finance, in accordance with section 157 of the PFM Act.

(b) Principal activities

The receiver of revenue collects revenue and remits to the County Revenue Fund (CRF)

(c) Key Management Team

The County Government of Kisumu *on a* day-to-day management of revenue is under the following:

- Ag: Chief Executive Officer, Kisumu County Revenue Board
- Chief Officers, in charge of departments collecting revenue
- Head of Revenue Reporting

Key Entity information and Management (continued)

(d) County Headquarters

P.O. Box 2738-20200
Prosperity Building
Kisumu - KENYA

(e) Entity Contacts

E-mail: treasury@kisumu.go.ke
Website: www.kisumu.go.ke

(f) Independent Auditors

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

(g) Principal Legal Adviser

The Attorney General
State law office
Po box 40112
City square 00200
Nairobi, Kenya
Website:

(h) Bankers

Kenya Commercial Bank
Box 17-40100
Kisumu Kenya

Cooperative Bank of Kenya
Box 1511-40100
Kisumu – Kenya

Central Bank of Kenya
P.O. Box 4-40100
Kisumu - Kenya

(i) County Attorney

3. Foreword by the CECM Finance, Economic Planning and ICT Services

Section 165 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue for a County Government shall prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year. Further, Kisumu County Revenue Administration Amendment Act of No 7 of 2022 is destined to guide on the conduct on how the |County Government of Kisumu manages the prescribed revenue stream as spelt out in the Finance Act of 2023/2024 Financial year.

The financial year reported herein was guided by the approved annual budget estimates of **KES 13,613,134,489** which included Own Source Revenue of **KES 2,282,844,694** which was informed by improved revenue collection infrastructure e.g. new revenue collection system (Integrated Revenue Management System), adequate staffing, and organized markets among others.

In addition, out of the projected revenue of KES 2,282,844,694, KCRB managed to collect **KES 1,509,121,029** which is composed of: Structured Streams **KES 557,276,851,** Un Structured Streams of **KES 249,796,859**, FIF **KES 681,358,291** held in Health Facilities bank accounts and Liquor collections of **KES 20,689,028** as at 30th, June 2024.

KCRB did not achieve the target because of: unresolved valuation roll case, legal tussles especially on Boda Boda, land rates, restructuring of revenue collection areas, political instability associated with demonstrations which saw almost all revenue collection centres closed during the fourth quarter of the Financial Year 2023-2024.

Another drawback to non-realization of the projected revenue was the delayed operationalization of Debt collection policy which was destined to provide reliable and accurate receivable data.

Despite all these administrative and political drawbacks, Management remains determined to enhance future revenue collection through operationalizing of Debt Management Policy, Valuation Roll once they are ready for use in FY 2024-2025.

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GEORGE OMONDI OKONG'O
CECM Finance, Economic Planning and ICT Services

4. Management Discussion and Analysis

During FY 2023-24 KCRB projected to collect **KES 2,282,844,694** as part of the Kisumu County Resource envelope which requires that besides Equitable share and grants, all Counties, Kisumu County included must raise local revenue.

Further, to realize the 2,282,844,694, Management disintegrated the Budgeted revenue to include: Main revenue sources at **KES 1,439,579,748**, Revenue from departments at **KES 843,264,946**. Included in this budget is Facility Improvement Fund (FIF) of **KES 606,000,000** that is not swiped to CRF as it is maintained by Health facilities for their routine activities. The budgeted figure also includes an element of collections from Liquor of **KES 40,000,000** which is collected and used at source by the Liquor Directorate.

During the Financial year, the management collected KES 1,511,728,382 which is composed of Main revenue streams ... Departments ...., Swiped .... FIF ... Liquor

S.No	Revenue Category	Amount
1	STRUCTURED	557,276,851
2	UNSTRUCTURED	249,796,859
3	FIF	681,358,291
4	LIQUOR	20,689,028
	Total OSR	**1,509,121,029**
	Table1: Total OSR for FY 2023-2024	

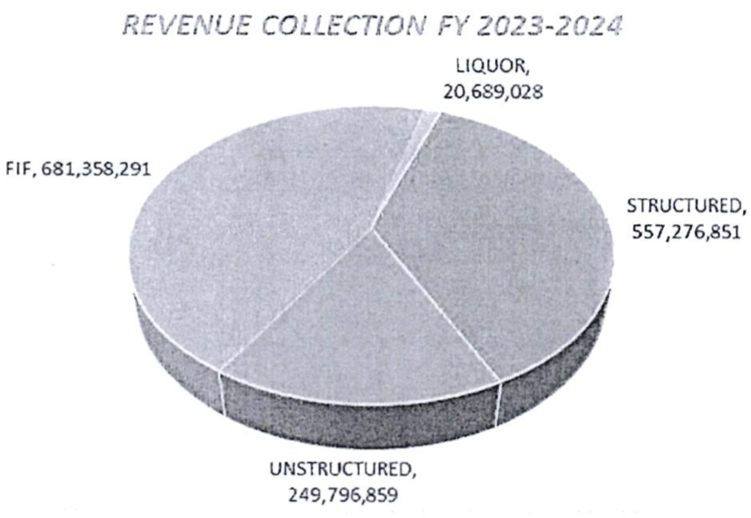


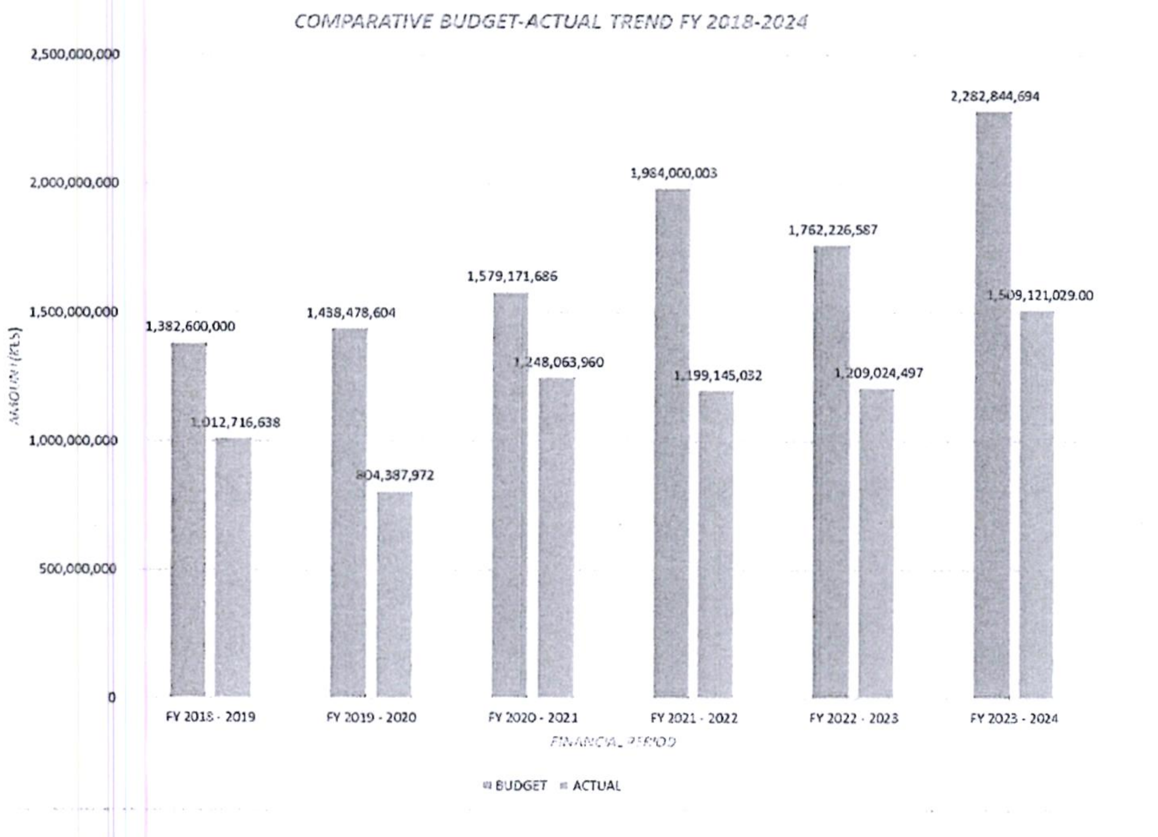
Chart 1: OSR for FY 2023-2024

The Pie Chart above shows how the County Government of Kisumu collected its Own Source Revene for the Financial Year 2023-2024. It is evident from the chart that CRF contributed more, followed by FIF.

<u>Analysis of Performance for the last six years:</u>

FINACIAL PERIOD	BUDGET	ACTUAL	% ACHIEVEMENT
FY 2018 - 2019	**1,382,600,000**	**1,012,716,638**	**73.25%**
FY 2019 - 2020	**1,438,478,604**	**804,387,972**	**55.92%**
FY 2020 - 2021	**1,579,171,686**	**1,248,063,960**	**79.03%**
FY 2021 - 2022	**1,984,000,003**	**1,199,145,032**	**60.44%**
FY 2022 - 2023	**1,762,226,587**	**1,209,024,497**	**68.61%**
FY 2023 - 2024	**2,282,844,694**	**1,509,121,029**	**66.11%**
TOTAL	**10,429,321,574**	**6,982,459,126**	**66.97%**

Table 2: Comparative Performance for the financial years



Graph 1: Comparative performance analysis on revenue collection for six financial years

From the Table 2 and Graph 1 above, it is observed that revenue has been on a positive trajectory for the last six years. We have since managed to collect more this financial year compared to the previous periods.
However, we did not meet our target of KES 2,282,844,694 because of the following challenges: unresolved Valuation Roll case, Legal tussles especially on boda boda, land rates, Restructuring of Revenue collection areas, political instability associated with demonstrations which saw almost all revenue collection centers closed during the fourth quarter of the Financial Year 2023-2024.

Another drawback to non-realization of the projected revenue was the delayed operationalization of Debt collection policy which was destined to provide reliable and accurate receivable data.

KCRB endeavors to collect the projected revenue by ensuring the following mitigation measures:

1) **Integrated Revenue Management System:**
   a) Full integration of all revenue streams both structured and non-structured, to the KCRB's Revenue Management System.
   b) Reduce System down time on the IRMS especially during peak market days.
   c) Strict adherence with the Finance Act in the billing process for structured revenues.
   d) Strict compliance by staff to use IRMS for revenue collections
   e) Regular training of staff on new developments in the IRMS.
2) **Valuation Roll**
   a) Expedite the implementation of Valuation Roll to boost collection of Rates and Plot Rents
   b) Most plots are undervalued and a lot of sub divisions have been done on these plots and these have not been fully captured in the IRMS.
3) **Mapping of Revenue Streams**
   a) Ensure new searches are done for clean-up of Land/Plot owners identifications.
   b) Structuring some of the un-structured revenue streams such as Trade Licenses.
   c) Mapping out for more revenue streams through our field officers e.g. Cess on bulking of grass and rice straws in the rice schemes.
   d) Casting the net to untapped regions for more collections especially the beaches.
4) **Internal Audits**
   a) Regular impromptu field visits by supervisors to monitor the collectability of revenue.
   b) Transfers of staff who have worked in one station for long time to avoid complacency in revenue collections.(Routine rotation is necessary)
   c) Scheduled appraisals of staff on targets to monitor performance trend.

5) **Outreaches:- Sensitization**
   a) Field outreach to the community on the operations of the Cashless IRMS system through Public Participation events organized the County.
   b) Stakeholders' consultative fora to establish the best way to collect revenue in different sectors especially market committees and Boda Boda sectors. This will improve on personal Relationship's with the tax payers and collectors.
   c) The outreaches should also extend to departments so that the staff and clients understand the contents of .Finance Act and implement it fully.
6) **Staff Motivating**
   a) Staff need to be motivated to collect revenue through incentives such as rain coats, communication kitty and adequate security.
   b) Timely communication and reporting on matters pertaining to revenue assessment, collection, recording and reporting for efficiency in performance.
7) **Networking with Departments:**

   Liaising with other Departments for effective and timely service delivery to essential services which enhance trade and business.

5. Statement of Receiver of Revenue's responsibilities

Section 165 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue for a county government shall prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year.

The Receiver of Revenue is responsible for the preparation and presentation of the receiver of revenue account, which gives a true and fair view of the state of affairs of the receiver of revenue for and as at the end of the financial year (period) ended on June 30, 2024.

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 statement of assets and liabilities of the entity, (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 entity, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Receiver of Revenue in charge accepts responsibility for the County Government of Kisumu's receiver of revenue accounts, which have been prepared on the Cash Basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Receiver of Revenue is of the opinion that the County Government of Kisumu's receiver of revenue account gives a true and fair view of the state of County Government of Kisumu's receiver of revenue transactions during the financial year ended June 30th, 2024, and of the County Government of Kisumu's statement of assets and liabilities as at that date. The Receiver of Revenue further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the receiver of revenue account as well as the adequacy of the systems of internal financial control.

The Receiver of Revenue confirms that the County Government of Kisumu has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable). The Receiver of Revenue confirms that the revenue statements have been prepared in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya

Approval of the Revenue Statements

The revenue statements were approved and signed by the Receiver of Revenue on 30th, September 2024

For.

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KUNGU. J. Otieno
ICPAK M/No. 4450
Receiver of Revenue

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website:www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE - REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF KISUMU

PREAMBLE

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

A. Report on Financial Statements that considers whether the revenue 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 revenue 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.

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 revenue 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.

REPORT ON THE REVENUE STATEMENTS

Disclaimer of Opinion

I have audited the accompanying revenue statements of Receiver of Revenue - County Government of Kisumu set out on pages 1 to 20, which comprise of the statement of financial assets and liabilities and the statement of arrears of revenue as at 30 June, 2024 and the statement of receipts and disbursements 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 revenue 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 revenue statements.

Basis for Disclaimer of Opinion

1. Late Submission of Revenue Statements

The financial statements for the financial year ended 30 June, 2024 were submitted to the Auditor-General on 11 October, 2024 which is eleven (11) days after the statutory deadline of 30 September, 2024.This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate. Further, the revenue statements presented were not signed by the substantive Accounting Officer contrary to the requirements of prescribed template of the Public Sector Accounting Board.

In the circumstances, Management was in breach of the law while the revenue statements are not in compliance with the reporting framework.

2. Inaccuracies in the Revenue statements

The following errors were noted in the revenue statements and the accompanying explanatory notes:-

i. The statement of assets and liabilities and as disclosed in Note 20 to the financial statements reflects bank balances of Kshs.2,467,430 while the explanatory note reflects Kshs.2,834,261 resulting in an unreconciled and unexplained difference of Kshs.366,831.

ii. The statement of receipts and disbursements disclosed balance due for disbursement of Kshs.702,047,319 while the statement of assets and liabilities as disclosed in Note 20 to the financial statements reflects bank balances of Kshs.2,467,430 resulting in an unreconciled and unexplained difference of Kshs.699,579,889.

iii. The statement of financial assets and liabilities and as disclosed in Note 22 reflects payables-due to CRF balance of Kshs.704,514,749 which differs from the re-casted amount of Kshs.702,047,218 on explanatory note resulting in unreconciled variance of Kshs.2,467,531.

iv. As disclosed in Note 22 to the revenue statements, the closing balance as at 30 June, 2023 in respect of payables-due to CRF balance was Kshs.764,369,744 which differs with the Nil balance brought forward at the beginning of the year.

In the circumstances, the accuracy and completeness of balances reflected in the revenue statements could not be confirmed.

3. Unsupported Other Receipts not through County Revenue Fund (CRF)

The statement of financial assets and liabilities reflects a balance of Kshs.702,047,319 described as other receipts not through County Revenue Fund. However, notes to explain the balance as to the nature of the receipts were not provided.

In the circumstances, the accuracy, completeness and disclosure of the other receipts balance of Kshs.702,047,319 could not be confirmed.

4. Weaknesses in Cash Management

The statement of financial assets and liabilities reflects bank balances of Kshs.2,467,430 as disclosed in Note 20 to the revenue statements. However, the following weaknesses were noted in Cash Management:

i. Management did not maintain a register of authorized bank accounts for the Receiver of Revenue-County Government of Kisumu during the year under review contrary to Regulation 87 of Public Finance Management (County Governments) Regulations, 2015 which states that the County Head of Accountancy Services shall maintain a register of bank accounts opened by County government entities.

ii. The bank reconciliation statements discloses receipts in bank statement not in cashbook amounting to Kshs.3,482,138 whose details were not provided for audit.

iii. Further, the bank reconciliation statements also discloses payments in bank statement but not recorded in cash book amounting to Kshs.30,830. The amounts relate to bank charges dating back to August, 2023. No explanation has been given for failure to address the reconciling items on a timely basis.

iv. The Bank reconciliations disclose receipts in cashbook not recorded in the bank amounting to Kshs.3,075,743 whose details were not provided for audit.

v. The bank balances for two (2) accounts revealed a total variance of Kshs.38,645,822 compared to the cashbook balance which was not explained or reconciled.

vi. The balances for three (3) accounts were not supported with bank certificates and board of survey certificates.

In the circumstances, the accuracy and completeness of bank balances of Kshs.2,467,430 could not be confirmed.

5. Unsupported Own Source of Revenue

The statement of receipts and disbursements reflects County own source revenue of Kshs.1,509,121,029 as disclosed from Notes 1 to 17 to the revenue statements. However, review of revenue records revealed the following anomalies:

i. Management did not provide ledgers and other requisite schedules to support the revenue statements.

ii. The incomes under structured revenue streams were not supported by data indicating invoices generated and paid through the Integrated Revenue Management System (IRMS).

iii. The statements further reflect parking fees of Kshs.98,551,263. However, the amount was unsupported with serialized receipt books, register of parking slots available and collection control sheets and cashbooks.

iv. The motor cycle parking fee of Kshs.500 per motor cycle was not collected in the year under review. This was contrary to Part 139 of the Kisumu County Finance Act, 2024 which provides for a monthly motor cycle parking fee of Kshs.500.

v. The statement of receipts and disbursements and as disclosed in Note 7 to the revenue statements reflects advertising fees amount of Kshs.170,957,830. However, Management did not have billboard and compliance registers to show the number of billboards within the County and whether the companies had complied with the laid down and approved procedures. Further, a register of all the advertisements done on the billboards and payments from the billboard companies was not provided for audit review. An updated register of signages within the County indicating the company name, type of signage, size of signage was not provided for audit review.

vi. Management did not provide a listing of the businesses charged under public health services for food quality inspection and food hygiene license fee was not provided for audit review. The accuracy and completeness of the public health service fees of Kshs.8,608,602 could not be confirmed.

vii. The statement of receipts and disbursements reflects hospital fees of Kshs.672,749,689 generated from various hospitals as disclosed in Note 8 to the revenue statements. However, Management did not provide detailed fee collection reports from the hospitals to support the revenue.

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

6. Unbanked Own Source of Revenue

The statement of receipts and disbursement reflects total own source revenue of Kshs.1,509,121,029 for the year ended 30 June, 2024. Review of the revenue records revealed that revenue from the Paybill number 425542 is automatically swiped every end of day to the Kenya Commercial Bank account 114991705. However, revenue totalling Kshs.6,415,821 was withdrawn from the Paybill account instead of being transferred to the bank account. This was contrary to Section 63(4) of the Public Finance Management (County Governments) Regulation, 2015 which require that all public moneys collected by a receiver of revenue or collector of revenue or collected and retained by a County government entity, shall be paid into the designated bank accounts of the County government.

The accountability by the collecting agents was not evident and therefore receiving and banking in the County Revenue Fund Account as required by law could not be confirmed.

7. Failure to Automate Liquor Revenue Collection

During the year under review, an amount of Kshs.20,689,030 was received in respect of Liquor Licensing Fees. However, information provided indicated that that the Liquor Fund had not automated its revenue collection system despite the Integrated Revenue Management System (IRMS) deliverables being met on go live on the liquor licensing module. This was contrary to Regulation 22(1) of the Public Finance Management (County Governments) Regulations, 2015 which provides that the accounting officers shall, in accordance with Article 226(2) of the Constitution and Section 149 (1) of the Act, be accountable to the County Assembly for maintaining effective systems of internal control and the measures taken to ensure that they are effective.

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

8. Unsupported Revenue Arrears

The statement of arrears of revenue reflects a balance of Kshs.1,223,717,801 and Kshs.1,862,474 in respect of land rates and property rent respectively. However, Management did not provide an ageing analysis of the arrears as required by the Public Sector Accounting Standards Board reporting template. Further, the Management did not provide records or schedules to support the total outstanding revenue arrears of Kshs.1,225,580,275. In addition, no records were provided to support the arrears received during the year of Kshs.23,651,393.

In the circumstances, the accuracy, completeness and recoverability of revenue arrears totalling Kshs.1,225,580,275 could not be confirmed.

9. Long Outstanding Arrears of Revenue

The statement of arrears of revenue reflects land rate and property rent of Kshs.1,223,717,801 and Kshs.1,862,474 respectively. However, as disclosed in the statement of arrears of revenue, the balances relate to the financial year 2023/2024 and earlier years and were outstanding for more than one year. Further, there was no evidence of Management having put in place strategies to recover the outstanding rates as provided for under Section 63(1) of Management (County Governments) Regulations, 2015 which requires a Receiver of Revenue to ensure adequate safeguards exist and are applied for the prompt collection and proper accounting for, all County Government revenue and other public moneys relating to their County departments or agencies.

Failure to collect the outstanding rates may have negatively impacted services delivery to the residents of Kisumu County.

10. Failure to Disburse Collected Revenue

The statement of receipts and disbursements reflects balance due for disbursement to County Revenue Fund of Kshs.702,047,319. This was contrary to Regulation 81(2) of the Public Finance Management (County Government) Regulations, 2015 which requires that the receivers of revenue shall promptly pay the revenue received into the County Revenue Fund, as soon as possible and in any case not later than five (5) working days after receipt thereof. Further, as disclosed in Note 20 to the financial statements, the bank accounts had balances totaling Kshs.2,467,430, resulting in an unreconciled and unexplained difference of Kshs.699,579,889 between the funds available and the funds due for disbursement.

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

11. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted and actual receipts of Kshs.2,282,844,694 and Kshs.1,509,121,029 respectively resulting to under collection of Kshs.773,723,667 or 34% of the budgeted revenue. The under collection could be indicative of unrealistic revenue targets or failure to put in place measures to prevent revenue pilferages by Management.

The under collection of own source revenue adversely affected the funding of planned activities and the overall performance of the County Government programmes.

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 matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON 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 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 my audit conclusion.

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these revenue statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of revenue 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 revenue statements, Management is responsible for assessing the Receiver of Revenue 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 revenue 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 revenue statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the revenue statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the revenue 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 revenue statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these revenue 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 revenue 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

27 December, 2024

7. Statement of Receipts and Disbursements for the year ended 30th June 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
County Own Source Revenue			
Cess	1	51,280,480	14,036,005
Land Rate	2	121,137,791	149,897,898
Single/Business Permits	3	191,666,761	164,156,629
Property Rent	4	20,447,477	20,039,683
Parking Fees	5	98,551,263	99,417,554
Market Fees	6	60,670,888	51,638,574
Advertising	7	170,957,831	148,608,083
Hospital Fee	8	672,749,689	476,989,463
Public Health Service Fees	9	8,608,602	4,810,842
Physical Planning and Development	10	53,066,989	31,843,246
Hire Of County Assets	11	0	3,711,768
Conservancy Administration	12	7,583,106	0
Administration Control Fees and Charges	13	22,520,958	14,535,792
Receipts from other Departments	14	6,063,213	0
Park Fees	15		2,546,840
Other Fines, Penalties, And Forfeiture Fees	16	149,585	27,500
Miscellaneous receipts	17	23,666,396	26,764,620
Total County Own Source Revenue		**1,509,121,029**	**1,209,024,497**
Other Receipts			
Donations/Grants Not Received Through CRF	18		
Total Other Receipts			
Total Receipts			
Balance b/f at the beginning of the year			250,458,520
Disbursements To CRF		807,073,709	793,513,146
Bank charges	19	139,921	
Balance Due for Disbursement		**702,047,319**	**665,969,871**

NB. The balance due for disbursement is a composed of FIF – Ksh.681, 358,291, Liquor- Ksh. 20,689,028.

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 26th Sept 2024 and signed by:

Fr.

………………………………	………………………………
KUNGU. J. Otieno	**John Oyoo**
ICPAK M/No. 4450	**ICPAK M/No 12669**
Receiver of Revenue	**Head of Revenue Reporting**

8. Statement of Financial Assets and Liabilities As at 30th June 2024

	Note	2023/2024	2022/2023
		Kshs	**Kshs**
Financial Assets			
Cash And Cash Equivalents			
Bank Balances	**20**	2,467,430	53,582,514
Cash In Hand	**21**	0	102,050
Other Receipts not through CRF		702,047,319	612,285,307
Total Financial Assets		704,514,749	665,969,871
Total Financial Assets			
Financial Liabilities			
Payables-Due to CRF	**22**	704,514,749	665,969,871
Total Financial Liabilities		**704,514,749**	**665,969,871**

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 26th, September 2024 and signed by:

For - ……………………………………

Name – KUNGU. J. Otieno
ICPAK M/No. 4450
County Receiver/Director of Revenue

……………………………………………

Name -John Oyoo
ICPAK M/No 12669
Head of Revenue Reporting

9. Statement of Comparison of Budget vs Actual Amounts for the Period Ended 30th June 2024

Receipt	Original Targets	Adjustments	Final Targets	Actual On Comparable Basis	Budget Realization Difference	% Of Realization
	A	B	C=A+B	D	E=C-D	F=D/C %
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
County Own Source Revenue						
Cess	27,139,013	0	27,139,013	51,280,480	-24,141,466	188.95%
Land Rate	327,090,635	0	327,090,635	121,137,791	205,952,844	37.03%
Single/Business Permits	260,000,000	0	260,000,000	191,666,761	68,333,239	73.71%
Property Rent	63,844,894	0	63,844,894	20,447,477	43,397,417	32.03%
Parking Fees	368,985,186	0	368,985,186	98,551,263	270,433,923	26.71%
Market Fees	158,026,826	0	158,026,826	60,670,888	97,355,938	38.39%
Advertising	204,493,194	0	204,493,194	170,957,831	33,535,364	83.60%
Hospital Fees	600,000,000	0	600,000,000	672,749,689	-752,749,689	112.12%
Public Health Service Fees	6,000,000	0	6,000,000	8,608,602	-2,608,602	143.5%
Physical Planning and Development	163,944,340	0	163,944,340	53,066,989	110,877,351	32.37%
Hire Of County Assets	8,720,606	0	8,720,606	0	8,720,606	0
Conservancy Administration	2,500,000	0	2,500,000	7,583,106	-5,083,106	303.32%
Administration Control Fees and Charges	42,100,000	0	42,100,000	22,520,958	19,579,042	53.49%
Receipts from other Departments	0	0	0	6,063,213	-6,063,213	0
Park Fees	0	0	0	0	0	0
Other Fines, Penalties, And Forfeiture Fees	20,000,000	0	20,000,000	149,585	19,850,415	0.74%
Miscellaneous Receipts	30,000,000	0	30,000,000	23,666,396	6,333,604	78.88%
Total County Own Source Revenue	**2,282,844,694**		**2,282,844,694**	**1,509,121,029**	**773,723,667**	**66.11%**
Other Receipts						

Receipt	Original Targets	Adjustments	Final Targets	Actual On Comparable Basis	Budget Realization Difference	% Of Realization
	A	B	C=A+B	D	E=C-D	F=D/C %
Donations /Grants Not Received Through CRF						
Total Other Receipts						
Total Receipts	**2,280,844,694**		**2,282,844,694**	**1,509,121,029**	**773,723,667**	**66.11%**

[*Provide below a commentary on significant under realization (below 90% of realization) and any over realization*]

- *Restructuring of Central Business District (CBD)- this led to closure of some businesses and reduction of parking slots.*
- *Hard Economic Situations not favourable for small scale business thus, closure of several businesses.*
- *Court cases on Valuation Roll hence Members / rates payers were restricted in payment*
- *Electioneering periods leading to closure of business as a results of political campaigns*

(Explain *whether the changes between the original and final are as a result of reallocation within the budget or other causes as per IPSAS 1.7.23 The total of actual on comparable basis should tie with the totals under receipts and payments where this is not the case, a reconciliation should between the two statements should be prepared and disclosed.)*

The County Receiver of revenue's financial statements were approved on 26th Sept 2024 and signed by:

....

Name – KUNGU. J. Otieno
ICPAK M/No. 4450
County Receiver/Director of Revenue

Name -John Oyoo
ICPAK M/No 12669
Head of Revenue Reporting

10. Statement of Arrears of Revenue as at 30th June 2024

Classification Of Receipts (Indicate As Applicable)	Balance as at The beginning of the current year (1st July 2023) A	Arrears received during the year. B	Additions in arrears for the current year to June 30, 2024 C	Total arrears as at 30 June 2024 D=A+(B)+C	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Cess	0	0	0	0		
Land rate	1,247,369,194	23,651,393	0	1,223,717,801	Provision of Waivers and data cleansing Debt collection unit is established.	
Single/Business Permits						
Property Rent	1,862,474	0	0	1,862,474	New tenancy agreement and data captures	
Parking Fees	0	. 0	0	0		
Market Fees	0	0	0	0		
Advertising	0	0	0	0		
Hospital Fees	0	0	0	0		
Public Health Service Fees	0	0	0	0		
Physical Planning and Development	0	0	0	0		
Hire Of County Assets	0	0	0	0		
Conservancy Administration	0	0	0	0		
Administration Control Fees and Charges	0	0	0	0		
Park Fees	0	0	0	0		
Other Fines, Penalties, Forfeiture Fees	0	0	0	0		
Miscellaneous	0	0	0	0		
Total Arrears	**1,247,369,194**	**23,651,393**	**0**	**1,225,580,275**		

……………………………………………
Name James Kungu
County Receiver of Revenue
(Ref: PFM ACT section 165, 2(a)

……………………………………………
Name John Otieno
Head of Revenue Reporting
ICPAK M/No

An ageing analysis of revenue in arrears has been shown on note 23 of these financial statements.

11. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the County Government *of Kisumu*. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the standard chart of accounts. The cash basis of accounting recognizes transactions and events only when cash is received or paid by the *entity*.

2. Recognition of Receipts

The *entity* recognizes all receipts from the various sources when the related cash has been received by the *entity*.

3. Budget

The County Revenue budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County budget was approved as required by law. The original budget was approved by the County Assembly on xxx for the period 1st July 2023 to 30 June 2024 as required by law. There was a number of supplementary budgets passed in the year. A high-level assessment of the County's actual performance against the comparable budget for the financial year under review has been included in these financial statements.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include revenue collection accounts held at Commercial banks.

Notes to the Financial Statements (Continued)

5. Revenue in Arrears

This relates to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are disclosed under the statement of arrears as required under the PFM Act, 2012 Section 165 (2) (b) which is a memorandum statement.

6. Disbursements to CRF

The Receiver of Revenue has an arrangement for transfer of funds from its bank account to the CRF account. Total disbursements to the CRF are as a result of the transfer arrangement during the year. (*Include the receiver's actual policy on disbursements)*

7. Comparative Figures

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

8. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2024

12. Notes to the Financial Statements

1. Cess

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Farm produce	51,280,480	14,036,005
Quarrying		
Livestock		
Fish farming		
Others *(specify)*		
Total	51,280,480	14,036,005

2. Land rates

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Land rates	121,137,791	149,897,898
Land penalties and interest		
Arrears		
Total	121,137,791	149,897,898

3. Single /Business Permits

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Business permit application fees	191,666,761	164,156,629
Annual Business permit fees		
Business permit penalties and interest		
Business permit fees arrears		
Total	191,666,761	164,156,629

Notes to the Financial Statements (continued)

4. Property Rent

Description	2023/2024	2022/2023
	Kshs	**Kshs**
County Housing		
Plot Rent	20,447,477	20,039,683
Tenancy Agreement		
Transfer of Property		
Stalls/kiosks rent		
Others *(Specify)*		
Total	**20,447,477**	**20,039,683**

5. Parking Fees

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Street parking fees	34,932,938	21,416,191
Monthly toll/sticker fees	8,491,227	20,416,191
Motorbike fees		
Registration fees		
Reserved parking	5,416,400	5851300
Bus Park fees	49,650,965	51504963
Others (*Clamping*)	59,730	
Total	**98,551,263**	**99,417,554**

6. Market Fees

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Market entry fees	58,743,935	51,638,574
Hawking fees		
Others (*stockring)*	1,926,953	
Total	**60,670,888**	**51,638,574**

Notes to the Financial Statements (Continued)

7. Advertising

Descriptions	2023/2024	2022/2023
	Kshs	**Kshs**
Branding	170,957,831	148,608,083
Billboard advertising		
Signage		
Roadshows		
Banners		
Posters		
Tent advertising		
Street pole/clock advertising		
others *(Specify)*		
Total	**170,957,831**	**148,608,083**

8. Hospital Fee

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Level 4,5 & primary health facilities	672,749,689	476,989,463
Level 4 hospitals		
Others (*Specify*)		
Total	**672,749,689**	**476,989,463**

9. Public Health Service Fees

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Inspection of buildings/premises/Institutions	8,608,602	4,810,842
Inspection for issuance of hygiene license		
Vaccination: Yellow fever, Typhoid, etc		
Applications for medical examination		
Sanitation inspection for schools		
Public health permit		
Rodent Control/Fumigation		
Others *(Specify)*		
Total	**8,608,602**	**4,810,842**

Notes to the Financial Statements (Continued)
10. Physical Planning and Development

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Sale of County planning documents		
Land valuation and registration fees	23,992,544	
Change / Renewal of user		
Building plans approval	29,074,445	31,843,246
Signboards		
Occupational Permits		
Enforcement / Demolition		
Architectural designs by county officers		
Hoarding fees		
Others (Specify)		
Total	**53,066,989**	**31,843,246**

11. Hire Of County Assets

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Agricultural Mechanisation Services (AMS)	0	3,711,768
Hire of Machines and Equipment		
Hire of County Stadia	0	
Hire of County Halls		
Conference facilities/Agricultural Training Centers (ATC)		
Others (*Specify*)		
Total	**0**	**3,711,768**

Notes to the Financial Statement (Continued)

12. Conservancy Administration

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Refuse disposal fees		0
Dumpsite fees		
Sewerage fees	6,000,000	
Sale of seedlings		
Fire Services	1,165,200	
Public cemetery		
Disposal of carcasses		
Noise control	317,906	0
Others(Tree Cutting)	75,800	
Total	**7,583,106**	**0**

13. Administration Control Fees and Charges

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Weights and measures	1,831,930	14,535,792
	0	
Liquor licenses	20,689,028	
Betting levy	0	
Others *(Specify)*		
Total	**22,520,958**	**14,535,792**

14. Receipts from other departments

	2023/2024	2022/2023
	Kshs	**Kshs**
Tourism		
Education	175,005	
Agriculture	4,697,758	
Receipts from Sale of Certified Seeds and Breeding Stock		
Tourism	1,190,450	
Total	**6,063,213**	**0**

18. Donations And Grants Not Received Through CRF

Description	2023/2024	2022/2023
	Kshs	Kshs
Donations *(Specify Based on Source)*		
Grants *(Specify Based on Source)*		
Others *(Specify)*		
Total		

19. Bank Charges

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank Charges & commissions	139,920.70	
Total	**139,920.70**	

20. Bank Balances

Name of Bank, Account No. & currency	Amount in bank account currency	Exc. rate (if in foreign currency)	2023/2024	2022/2023
			Kshs	Kshs
KCB - HEALTH A/C No 1155423712	KES		366,830	364,959
KCB - REVENUE A/C No 114991705	KES		2,467,409	42,020,417
KCB- MASENO ATC A/C No 1148451196	KES		0	1,008,463
COOP – HEALTH A/C No. 01141766981100	KES		0	8,105,374
COOP – REVENUE A/C No 011417166976600	KES		22	2,083,300
Total	**KES**		**2,834,261**	**53,582,513**

20 (a) Balance carried forward as at 30th June 2024 and subsequently transferred

Ref	Amount (Kshs)	*Date subsequently transferred*
Disbursement 1	2,002,666	*1 July 2024*
Disbursement 2	464,764	*2 July 2024*
Total	**2,467,430**	

(This is a disclosure note indicating how the cash balance as at the end of the year has been subsequently disbursed to the CRF)

21. Cash in hand

Description	2023/2024	2022/2023
	Kshs	**Kshs**
Cash Balance *(Location)*		
Mobile Money		
Others *(Specify)*		
Total		

22. Payables- Due To CRF

Payables	2023/2024	2022/2023
	Kshs	**Kshs**
Balance b/f at the beginning of the year		**250,458,520**
Amount collected during the year	**1,509,121,029**	**1,209,024,497**
Amounts disbursed to CRF during the year	(807,073,709)	(695,113,273)
Balance c/d at the end of the year	**704,514,750**	**764,369,744**

This relates to amounts yet to be disbursed to the exchequer at the end of the financial year. The amount should be supported by the bank balances as per note 19 above.

23. Ageing Analysis of Revenue in Arrears

Description (indicate as applicable)	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
Cess	0	0	0	0	0
Land rate	3,485,395	5,150,268	5,910,602	980,812,677	995,361,942
Single/business permits	2,878,150	0	0	0	2,878,150
Property rent	786,760	0	0	0	786,760
Parking fees	0	0	0	0	0
Market fees	0	0	0	0	0
Advertising	0	0	0	0	0
Hospital fees					
Public health service fees					
Physical planning and development	0	0	0	0	0
Hire of County Assets	0	0	0	0	0
Conservancy administration	0	0	0	0	0
Administration control fees and charges	0	0	0	0	0
Proceeds from sale of assets	0	0	0	0	0
Park fees	0	0	0	0	0
Other fines, penalties, and forfeiture fees	0	0	0	0	0
Miscellaneous receipts	0	0	0	0	0
Others *(Specify)*	0	0	0	0	0
Total (*agree to statement of arrears*)	**6,442,305**	**5,150,268**	**5,910,602**	**980,812,677**	**999,026,852**

Note: Remember that revenue arrears provided above are provisional figures as we are still in the process of data clean up and absolute figures will be updated once the exercise is done.

13. Appendices

Appendix 1: A Report of Waivers and Variations of Fees or charges granted by the Receiver of Revenue during the year.

S/No	Name of person / organisation benefitting from waiver/ variation	Year in which waiver/ variation relates	Amount of variation/ waiver (fee or charge)	Reasons for waiver/ variation	The law in terms of which the variation/waiver was granted

(PFM ACT section 165 subsection 4, 5)

Sign and date
Accounting Officer

Appendix 2: Progress on follow up of prior Year Auditor Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

(iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Fr: ....

Name KUNGU J. Otieno

County Receiver of Revenue

ICPAK M/No. 4450

Date

....

Name John Oyoo

Head of Revenue Reporting

ICPAK M/No. 12669

Date