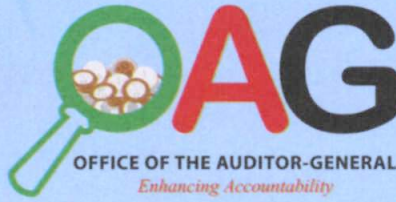


REPUBLIC OF KENYA



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**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

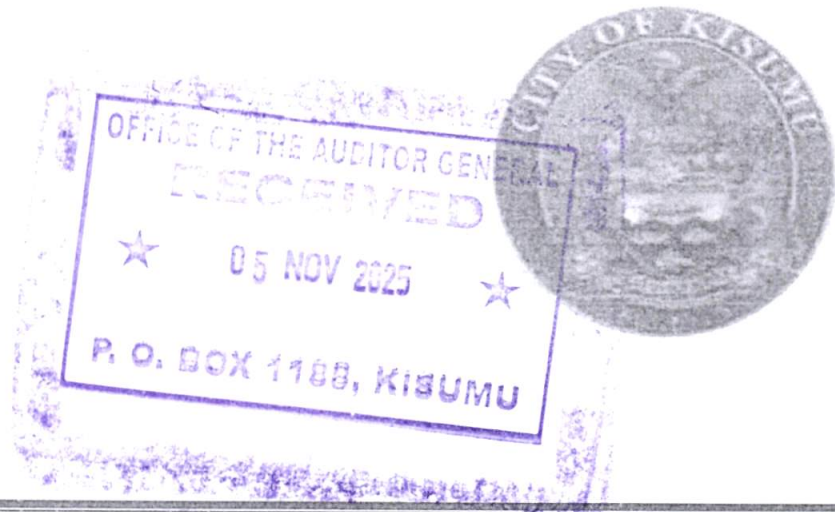
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**CITY OF KISUMU**

**FOR THE YEAR ENDED  
30 JUNE, 2025**

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**CITY OF KISUMU**

*County Government of Kisumu*

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2025**

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**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

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

### B. Definition of Key Terms

**Fiduciary Management** - Members of Management directly entrusted with the entity's financial resources.

**Comparative Year**- Means the prior period.

**Current Year**-Means the year under review

## 2. Key Entity Information and Management

### a) Background information

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

### b) Principal Activities

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

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

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

The key objectives are:

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

### c) Key Management

The City's management is under the following key organs:

- County Department in charge of Cities & Municipalities
- Board of Management
- Accounting Officer - City Manager
- Management

**d) City Board**

Ref	Position	Name
1.	Chairman of the Board	Eng. Kenneth Nyangaga
2.	Vice Chairperson	Dr. Rose Olayo
3.	Board Member 3	Dr. Jerome Ochieng
4.	Board Member 4	CPA Samson Obwanga
5.	Board Member 5	Dr. Edwin Ochieng Okul
6.	Board Member 6	CPA Joseph Muga Awuor
7.	Board member 7	Mrs. Vivian Akoth Otieno
8.	Board Member 8	Prof. Silvance O. Abeka
9.	Board Member 9	CPA Caren Atieno Onyango
10.	Board member 10	Amb. Michael Adipo Okoth Oyugi
11.	Board Member 11	Mr. Lawrence Omondi Obat

Other than the City Manager, gazettelement of the new board members had not been done in the year under review, the previous board members term having lapsed in the year 2022/2023. The delay was as a result of comprehensive recruitment exercise meant to achieve the desire of having a dedicated team for City board operations.

**e) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

Ref	Position	Name
1	City Manager	Michael Abala Wanga
2	Director Human Resource Management	Harriet Amulen Hongo
3	Head of City Engineering and Public Works	Wilson Omondi
4	Head of Partnerships and Resource Mobilization (Projects Coordinator)	Charles Ochieng' Omollo
5	Head of Finance	Evans Otieno Ogweno
6	Head of Supply Chain Management	Carren Akoth Olwero

7	Head of ICT	Owang Bartholomew Ayim
9	Head of Inspectorate and Enforcement	Joannes Omondi Otiende
10	City Attorney	Mariella Awuor
11	City Planner	Robert Rawinji
12	Head of Communication	Evans Alala
13	Head of Environment, Climate Change and Natural Resources	Benard Otieno Ojwang'
14	Head of Public Health	Joshua Adongo Owino
15	Head of Social Services	Dorothy Adhiambo Onong'no
16	City Board Administrator	Olivia Adhiambo Ogoto
17	Director Internal Audit	Maurice Omondi Oyaro

**f) Fiduciary Oversight Arrangements**

**i) Audit and Risk Management Committee**

To assess and evaluate the financial and operational risks of an organization (county level) and ensure that proper internal controls are in place to mitigate those risks.

Provide independent oversight on the quality and effectiveness of financial reporting and auditing processes.

Ref	Position	Name
1	Internal Auditor	Maurice Oyaro

**ii) Parliamentary committee activities**

**Senate PIC/PAC committees**

- To oversee and scrutinize the national budget and its implementation, ensuring that funds are allocated and used appropriately.
- Provide oversight over government expenditure and ensure that public funds are utilized efficiently, transparently, and in accordance with the law.

**iii) County Assembly of Kisumu**

Assembly, Pursuant to the Constitution of Kenya, 2010 and the County Government Act, 2012, has fiduciary oversight role over the execution of the functions of the County Government; under Article 8(1) c) of the County Government Act, 2012, it approves the

budget and expenditure of the county government which the city budget is consolidated to in accordance with article 207 of the Constitution of Kenya

**iv) County Treasury**

To ensure proper financial management and accountability at the county level, including the prudent use of resources allocated from national government and other sources and addition, to oversee the implementation of county budgets, ensuring that public funds are used for their intended purposes.

**v) Development partner oversight activities**

To ensure that funds and resources provided by international donors and development partners are spent effectively and for their intended purposes. Further, development partner ensures that external financing (grants, loans, technical assistance) is used in a transparent, accountable, and efficient manner.

**vi) OAG**

The Auditor General is an independent institution responsible for auditing government accounts, ensuring that public money is used for its intended purposes, and reporting any mismanagement, fraud, or inefficiencies in the use of public resources

**vii) OCOB**

The Controller of Budget plays a central role in managing and overseeing the implementation of the budget, ensuring that government expenditures are within the approved limits, and maintaining fiscal discipline.

**g) Registered Offices**

P.O. Box 105-40100

City Hall Building -Court Road

off Jomo Kenyatta Highway

Kisumu, KENYA

**h) Contacts**

Telephone: (057) 2023812

TelFax:202 3812

E-mail: [citymanagerkisumu@yahoo.com](mailto:citymanagerkisumu@yahoo.com)

Website: [city.kisumu.go.ke](http://city.kisumu.go.ke)

**i) Bankers**

1. Equity Bank (K) Ltd  
Kisumu Branch  
P.O. Box 7427-40100  
Kisumu
2. SBM Bank (K) Ltd  
Kisumu Branch  
P.O. Box 2989-40100  
Kisumu
3. Central Bank of Kenya  
Nairobi Branch  
P.O. Box 60000-00200  
Nairobi

**j) Independent Auditor**

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



**k) Principal Legal Adviser**

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

**l) County Attorney**

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

3. City Board

Name	Details of qualifications and experience
 <p>Eng. Kenneth Nyangaga <b>Board chairperson</b></p>	<p><b>Academic Qualification:</b> He holds a Bachelor of Science in Electrical Engineering and a Master of Business Administration in Strategic Management</p> <p><b>Experience:</b> With a distinguished career in electrical engineering spanning over four decades, he serves as a visionary leader. His expertise lies in the design and operation of advanced electrical systems, energy conservation, grid and solar system management, and strategic project execution. His experience includes membership in Kenya’s premier engineering bodies—the Engineers Registration Board (<b>ERB</b>) and the Institute of Engineers of Kenya (<b>IEK</b>). As a Class A1 Licensed Electrician registered with the Electrician Registration Commission (<b>ERC</b>), he is recognized for his professional dedication to advancing electrical engineering standards and practices. He is also a member of Kenpipe Sacco Board’s Audit &amp; Risk Subcommittee</p>
 <p>Dr. Rose Olayo <b>Board Vice-Chairperson</b></p>	<p><b>Academic Qualification:</b> Holds a PhD in Community Health, Master’s in Community Health and Development, and a Bachelor of Science in Health Promotion</p> <p><b>Experience:</b> Dr. Olayo has over 20 years of professional experience in community and public health research, communication for behavior change, health systems and policy analysis, social mobilization &amp; advocacy. She also serves as a member in several school boards among them Makini and CITAM Schools. She is currently a Senior Lecturer in the School of Public Health at Masinde Muliro University of Science and Technology (MMUST)</p> <p>She is the Vice- chairperson of the board and chairs the Board Business committee.</p>



CPA Samson Obwanga

**Academic Qualification:** Holds an MBA in Finance from the University of Nairobi, a Bachelor's in Business Administration (Accounting) from Maseno University, and CPA-K certification

**Experience:** He is currently the Principal Partner of Obwanga and Associates a firm of Certified Public Accountants. Previously he worked as Head of Treasury at the County Government of Kakamega, Accountant in The National Treasury and Internal Auditor and Accountant at Kisumu Teachers Sacco Ltd. He has served in Boards and Committees of; Migori County Assembly Audit Committee as Chairman, Member of Kisumu branch of Red cross among others. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA) and also a member of the Kenya National Chamber and Industry (KNCCI) Kisumu Chapter,

He is the chair of Audit, Risk and Compliance Committee of the Board



Dr. Edwin Ochieng Okul

**Academic Qualification:** He holds a PhD in Project Planning and Management, a Master's in Monitoring and Evaluation, and a BA in Sociology.




**Experience:** Dr. Okul is a seasoned expert in development planning, with over 30 years of experience in project management, monitoring and evaluation, and socio-economic systems development. He brings extensive expertise in urban development planning, strategic project management, and monitoring and evaluation. As a development consultant, Dr. Okul has provided consulting services to leading global organizations, including the World Bank, ILO, and UNDP






CPA Joseph Muga Awuor

**Academic Qualification:** He holds MBA, BBA, CPA-K certification and PhD ongoing




**Experience:** Over 30 years public sector accounting experience having joined the National Treasury as an Accounts Assistant and rising through the ranks to District Accountant. Served as Deputy District Accountant (Kisumu District) and as District Accountant (Nakuru District). He joined devolved government at the inception of devolution as Head of Revenue in Siaya County Government. He was previously a part time lecturer at the School of Business and Economics in Maseno, CUEA, Laikipia Universities. Currently he is a part-time lecturer at Jooust and a business management consultant. He is a member of Institute of Certified Public Accountants of Kenya (ICPAK)





	<p>He is the Chair of Finance and Administration committee of the board.</p>
 <p>Mrs. Vivian Akoth Otieno</p>	<p><b>Academic Qualification:</b> Holds a Bachelor’s Degree in Education specializing in Chemistry and Mathematics from Maseno University and a Diploma in Information Technology.</p> <p><b>Experience:</b> Experienced educator and over five years in training Chemistry at the college level, and a strong background in community advocacy. Adept at curriculum development and skilled in fostering strong relationships with community stakeholders.</p>
 <p>Prof. Silvance O. Abeka</p>	<p><b>Academic Qualification:</b> Holds a PhD in Information Systems, an MSc in Computer Science, an MBA in IT, and a Bachelor’s in Computer Engineering.</p> <p><b>Experience:</b> Prof. Abeka is a leading figure in Information Systems and Technology with a specialized focus on e-learning, smart cities, and technology adoption. He is the Founding Director of the Centre for E-Learning and former Dean of the School of Informatics and Innovative Systems at Jaramogi Oginga Odinga University of Science and Technology (JOOUST). Previously was a Director of the Institute of Open and Distance Learning at Africa Nazarene University, His career exemplifies a commitment to advancing digital education, research, and innovation. He is a member of the <b>IEEE</b> Computer Society, Computer Society of Kenya (<b>CSK</b>), Internet Society (<b>IS</b>), and the Association for Computing Machinery (<b>ACM</b>)</p> <p>He is the chair of ICT and Infrastructure Committee of the board</p>
 <p>CPA Caren Atieno Onyango</p>	<p><b>Academic Qualification:</b> Holds an MBA in Finance from Maseno University, a First-Class Honours Bachelor’s in Commerce (Finance) from the Catholic University of Eastern Africa, CPA-K certification and Diploma in Corporate Governance.</p> <p><b>Experience:</b> She has rich history in financial and administration management spanning over twenty-five (25) years in various organizations and assignments mostly in the Non-Governmental Institutions. She worked with Plan International between 2011-2017, where she had overseas experiences working in countries like Ethiopia, Rwanda and Mozambique. Currently she is a key staff in a USAID funded program with Moi University College of Health Sciences (MUCHS) as The Director, Finance and Administration. She is a member of Institute of Certified Public Accountants of Kenya (<b>ICPAK</b>)</p>



 <p>Amb. Michael Adipo Okoth Oyugi</p>	<p><b>Academic Qualification:</b> He holds a Bachelor’s of Science Degree in Agricultural engineering and has a Doctor of Philosophy in Engineering from Ohia State University.</p> <p><b>Experience:</b> He is a former long-serving, and extensively trained career diplomat, in the Ministry of Foreign Affairs of Kenya. Served variously as Kenya’s Ambassador to Spain, Austria, Hungary, Slovakia, and to the UN Agencies based in Vienna, Austria. He led numerous Kenya delegations to various major UN conferences. Whilst on posting in Austria, served successively as chairperson of governing bodies/boards of UN agencies based in Vienna – UNODC (Drugs, crime), IAEA (Atomic Energy), UNIDO (Industrial Development). Served as Chair and member of the Board of the National Employment Authority (Kenya), and trained in board oversight of parastatals and semi-autonomous Kenya Government agencies - <i>“Mwongozo”</i>. Currently serving as a patron of The International Coalition on Health Financing Advocacy.</p>
 <p>Mr. Lawrence Omondi Obat</p>	<p><b>Academic Qualification:</b> Holds a Bachelor of Arts degree with Upper Second-Class Honours from the University of Nairobi.</p> <p><b>Experience:</b> He is a seasoned insurance and marketing professional with over 25 years of experience in the industry. Known for his strong interpersonal skills, team-oriented approach, and leadership abilities, Lawrence has a proven track record in regional management, branch leadership, and marketing across various insurance companies. Currently, he serves as the Regional Marketing Coordinator at KUSCCO Mutual Assurance Limited, following key roles as Regional Manager for Western at CIC Group and Branch Manager at UAP Insurance.</p>
 <p>Mr. Jerome Ochieng</p>	<p><b>Academic Qualification:</b> He holds a Masters’ Degrees, in Information Engineering from the University of the Ryukyus, Okinawa, Japan. In addition, he graduated with a Bachelor of Science Degree (Mathematics / Computer Science) from the University of Nairobi.</p> <p><b>Experience:</b> He has Twenty Five (25) years’ work experience in the field of Information and communication technology in the Public Service. At a strategic level, He has served as a Director in several Boards which includes; Telkom Kenya Limited (TKL), Information Communications and Technology Authority (ICTA), Konza Technopolis Development Authority (KoTDA), The East African Marine System Limited (TEAMS), Communication Authority of Kenya, National Council for Science Technology and Innovation (NACOSTI) and the Kenya Vision 2030 Boards.</p>





	<p>He was the Principal Secretary (PS) in the Ministry of Information Communication Technology (ICT) and Innovation of Kenya and also served as the Director of the Integrated Financial Management Information System (IFMIS), at the National Treasury. He was critical in roll out of the IFMIS e-Procurement platform, for both the national and county governments and roll out of internet connection across.</p> <p>Currently he is the County Executive Committee Member (CECM) Lands, Physical Planning, Housing and Urban Development, County Government of Kisumu.</p>
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4. Key Management Team

Name	Details of qualifications and experience
<p>1. Michael Abala Wanga</p> 	<p><b>Date of Birth:</b> Born on 8<sup>th</sup> August 1969</p> <p><b>Academic Qualification:</b> Mr. Abala holds Master’s degree in Business Administration and Bachelor’s degree in Law.</p> <p><b>Experience:</b> He joined Civil service in 1993 having originally trained as Laboratory Scientist, a line he left and joined Administration and Management for the last 10 years. He is the City manager and Accounting Officer of the City.</p>
<p>2. Harriet Amulen Hongo</p> 	<p><b>Date of Birth:</b> Born on 24<sup>th</sup> April 1973</p> <p><b>Academic Qualification:</b> Harriet holds Master’s degree in Business Administration (MBA), Bachelor’s degree in Business Management (BBM) and Higher Diploma in Human Resource Management. She is Certified Human Resource Professional (CHRP (K)) and Monitoring and Evaluation, Accountability &amp; Learning. She is a member of IHRM (K).</p> <p><b>Experience:</b> She has undertaken a number of leadership and management courses and has over nineteen (20) years’ experience with fifteen (10) years in management positions. She is the Head of Human Resource Management at the City.</p>
<p>3. Wilson Omondi</p> 	<p><b>Date of Birth:</b> Born on 2<sup>nd</sup> December 1989</p> <p><b>Academic Qualification:</b> Wilson holds Bachelor’s degree in Civil and Structural Engineering, Master of Arts in Project Planning and Management. He is registered with Engineers Board of Kenya and a Corporate member of the Institution of Engineers of Kenya</p> <p><b>Experience:</b> He has extensive experience in public Service since the year having previously worked at various counties. He is the Head of City Engineering department.</p>

<p>4. Charles Ochieng' Omollo</p> 	<p><b>Date of Birth:</b> Born on 21<sup>st</sup> January 1975</p> <p><b>Academic Qualification:</b> Charles holds Bachelor of Commerce degree, Higher Diploma in Human Resource Management and Diploma in Business Management.</p> <p><b>Experience:</b> He has been trained in Project Management, Design of policies and other leadership courses. He joined public service in the year 1995. He is the Deputy City Manager and Head of Partnerships and Resource Mobilization at the City.</p>
<p>5. Evans Otieno Ogweno</p> 	<p><b>Date of Birth:</b> Born on 24<sup>th</sup> March 1980</p> <p><b>Academic Qualification:</b> Evans holds BCom degree in Accounting and is a Certified Public Accountant in Kenya (CPA-K).</p> <p><b>Experience:</b> He is a member of ICPAK. He has undertaken a number of Management and Leadership courses and has extensive experience in the public service. He is the Head of Finance at the City of Kisumu.</p>
<p>6. Carren Akoth Olwero</p> 	<p><b>Date of Birth:</b> Born on 1<sup>st</sup> April 1978</p> <p><b>Academic Qualification:</b> Carren holds Bachelor's degree in Logistics and Supply Chain Management and Diploma in Purchasing and Supplies.</p> <p><b>Experience:</b> She has undertaken a number of management courses and is a member of KISM. She joined Public Service since the year 2012. She is the Head of Supply Chain Management at the City.</p>
<p>7. Owang Bartholomew Ayim</p> 	<p><b>Date of Birth:</b> Born on 31<sup>st</sup> January 1961</p> <p><b>Academic Qualification:</b> Mr. Ayim holds an MSc in Information Systems Management and is a member of MIMIS UK.</p> <p><b>Experience:</b> He possesses over four decades of profound experience in Software Systems Engineering, having commenced his illustrious career in 1983. Mr. Ayim seamlessly integrates his extensive academic knowledge with practical insights, resulting in a distinguished career marked by unparalleled expertise in</p>

	<p>designing and implementing advanced software solutions. He is the Head of ICT</p>
<p>8. Mariella Awuor</p> 	<p><b>Date of Birth:</b> Born on 18<sup>th</sup> September 1992</p> <p><b>Academic Qualification:</b> Mariella holds Bachelor’s degree in Law and Post Graduate Diploma in Law. She has training in Corporate Governance and Board Competency. She is a member of Law Society of Kenya (LSK).</p> <p>She is currently Pursuing a course as Chartered Public Secretary. CPS(K)</p> <p><b>Experience:</b> She joined public service in the year 2020 after practicing as an Advocate for 3 Years. She is the City Attorney and doubles up as the Ag. City Board Secretary.</p>
<p>9. Robert Rawinji</p> 	<p><b>Date of Birth:</b> Born on 15<sup>th</sup> February 1990</p> <p><b>Academic Qualification:</b> He holds a Bachelors of Arts degree in Urban and Regional Planning with IT. He is a Corporate Member of the Kenya Institute of Planners (KIP), a Member of the Project Management Institute (PMI), and a Member of the Kenya Green Building Society (KGBS).</p> <p><b>Experience:</b> Planner Robert Rawinji, MKIP is an accomplished Urban Development Specialist with over a decade of experience in sustainable urban development projects, research, and program management. Additionally, has expertise in sustainable urban development, urban finance, housing policy, stakeholder engagement, advisory services, project management, monitoring and evaluation. He is the Head of Physical Planning at the City</p>
<p>10. Benard Otieno Ojwang’</p>	<p><b>Date of Birth:</b> Born on 13<sup>th</sup> November 1980</p> <p><b>Academic Qualification:</b> Benard holds Bachelor’s degree in Environmental Health, Diploma in Environmental Resource Management and has undertaken a number of management courses. He is a member of Environment Institute of Kenya (EIK). He joined</p>

	<p>public service in the year 2012. He is the Head of City Environment and Natural Resource Management.</p>
<p>11. Joshua Adongo Owino</p> 	<p><b>Date of Birth:</b> Born on 6<sup>th</sup> June 1966</p> <p><b>Academic Qualification:</b> Joshua holds Diploma in Environmental Health Sciences.</p> <p><b>Experience:</b> He also has trainings in Control of Communicable Diseases, Environmental Sanitation. Emergency response and lifesaving among other management courses. He is a member of Association of Public Health Officers in Kenya. He joined public service in the year 1994. He is the Head of City Public Health.</p>
<p>12. Catherine A. Obor</p> 	<p><b>Date of Birth:</b> Born on 28<sup>th</sup> April 1988</p> <p><b>Mrs. Catherine A. Obor</b> is a highly experienced Disaster &amp; Emergency Management Expert, recognized for her expertise in Humanitarian Assistance. Holding a BSc in Disaster Management &amp; International Diplomacy, she combines academic depth with practical know-how. With previous involvement in ground flight safety and special program projects, Catherine boasts a thorough grasp of crisis response and mitigation strategies. Her steadfast dedication to community safety and her adept strategic thinking position her as an indispensable resource in tackling complex challenges during disasters and emergencies.</p>
<p>13. Maurice Omondi Oyaro</p> 	<p><b>Date of Birth:</b> Born on 8<sup>th</sup> August 1969</p> <p><b>Mr. Maurice Oyaro</b> is a highly qualified Head of Internal Audit with a strong background in accounting and finance. Holding an MSC in Accounting and a B.Com in Finance, he is a certified member of prominent professional bodies including the Institute of Internal Auditors (IIA), Information Systems Audit and Control Association (ISACA), and Association of Fraud Examiners (ACFE). With certifications as a Certified Internal Auditor (CIA) and a Certified Information Systems Auditor (CISA), Maurice</p>

	<p>boasts over 15 years of experience in internal auditing. His expertise lies in ensuring compliance, risk management, and detecting fraudulent activities</p>
<p>14. Brooks Andiego Ochieng</p> 	<p><b>Date of Birth:</b> Born on 17<sup>th</sup> August 1986</p> <p><b>Academic Qualification:</b> Mr. Brooks Andiego Ochieng holds a Bachelor’s Degree in Criminology and Security Studies.</p> <p><b>Experience:</b> He served for 19 years in the National Police Service Commission, gaining extensive experience in law enforcement and public security. He later served as subcounty enforcement officer and Head of Compliance in the County Government and is currently the Head of the City Inspectorate, with expertise in enforcement, regulatory compliance, and institutional governance. He is the Head of City Inspectorate and Enforcement</p>
<p>15. Hellen Tuli Apiyo</p> 	<p><b>Date of Birth:</b> Born on 15<sup>th</sup> November 1973</p> <p><b>Academic Qualification:</b> She holds a Bachelor Degree in Communication and a diploma in project management .</p> <p><b>Experience:</b> She has extensive expertise in Public Service, having worked at Port Florence Group of Hospitals as an administrator and Kenya Parliament under social protection among others.</p> <p>Tuli is th Centre Manager at Mama Ngina Children’s home, Kisumu.</p>

## 5. City Board Chairperson's Report

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

In the past year, the Kisumu City Board made notable progress in urban development, service delivery, and governance. As the city continues its transformation into a smart, inclusive, and sustainable urban centre, the Board remained focused on infrastructure upgrades, citizen engagement, and digital innovation despite several challenges.

### Key achievements

Among the major successes was the implementation of the **Kisumu Sustainable Mobility Project**, which introduced non-motorized transport lanes and improved traffic flow. The **modernization of Kibuye Market** boosted trade, while waste management reforms reduced illegal dumping by 40%. Road projects in informal settlements like Nyalenda and Manyatta enhanced connectivity. The launch of a digital portal streamlined access to municipal services, and over 1,000 youth were empowered through the **Ajira Digital Hub**. These achievements reflect a shift toward smart, inclusive urban planning.

### Board performance

The Board achieved over **85% of its annual targets**, with Mmajor planned projects completed on time and within budget. Revenue collection improved by 20%, thanks to better systems and oversight. Public participation was strengthened through structured ward forums, and development efforts aligned with Kenya's Big 4 Agenda and Vision 2030. However, enforcement of planning regulations and zoning compliance remains an area requiring improvement.

### Challenges encountered

The Board grappled with **budgetary constraints**, delays in county funding, and inadequate technical staff. Informal settlements and land tenure issues complicated planning efforts. Seasonal flooding in low-lying areas like Nyalenda and Nyamasaria exposed weak drainage infrastructure.

Political interference and stakeholder resistance to policy changes also slowed progress in some areas.

### **Board and management changes**

Within the year, new members were appointed to serve on the Kisumu City Board, with priority given to women to promote gender balance. To enhance the Board's effectiveness, key committees were established, including Infrastructure, Finance, Environment, Audit, and Business. These committees have played a vital role in steering city development, strengthening governance, and improving service delivery, aligning with the Board's mandate to drive inclusive and sustainable urban growth in Kisumu.

### **Future outlook**

Looking ahead, the Board plans to fast-track. The Smart City agenda will expand with the introduction of **intelligent transport systems** and smart lighting. Drainage upgrades to combat urban flooding are set to begin, and a **green mobility initiative**, including electric buses, is planned in collaboration with development partners. A GIS-based revenue system will be launched to enhance revenue collection. Strengthening public-private partnerships and citizen engagement remains a top priority to ensure inclusive and sustainable growth.



.....  
**Eng. Kenneth Nyangaga**

**Chairperson of the Board**

## **6. Report of the City Manager**

It is my pleasure to present the City of Kisumu Financial Statements for the year ended 30<sup>th</sup> June 2025. The City is mandated to prepare annual report and submit the same to the City Board not later 2 months after the end of each financial year in accordance with Urban Areas and Cities Act No. 13 of 2011 and as amended in 2019. That it was established by and derives its authority and accountability under Sec. 166(4) of the Public Finance Management Act, 2012. It is upon this backdrop that I forward the City of Kisumu report for the year ended 30<sup>th</sup> June, 2025. The same report has been sent to the relevant statutory bodies as provided for in the PFM Act.

The report presents budget execution status covering the year 1<sup>st</sup> July, 2024 to 30<sup>th</sup> June, 2025, with comparative actual achievements and budgeted amounts for the previous year 2023/2024. It contains the annual budgeted receipts and expenditures for FY 2024/2025 performance and donor funds and other development partners' contributions for the year 2024/2025. It is important to reiterate that the expected world bank funding for UDG did not come through in spite of meeting all the set conditions.

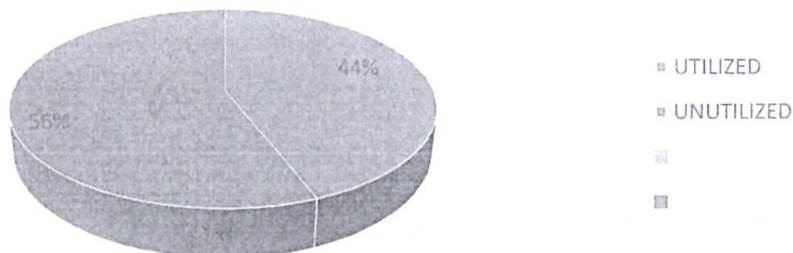
The city of Kisumu is looking forward to a vibrant year 2024/2025 full of activities given the professional background of the existing board members who were appointed early this year.

### **Financial Performance**

The County Government of Kisumu allocated **KShs. 1,096,691,632** to the City of Kisumu during the Financial year 2024/2025. By 30<sup>th</sup> June 2025 **KShs. 482,494,857 (44%)** had been utilized with actual payments of **KShs. 299,230,628 (40%)** the difference being accrued expenses.

### Budget Utilization Chart

#### BUDGET UTILIZATION



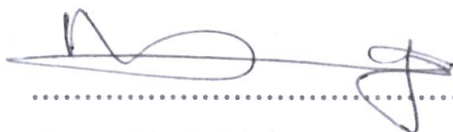
#### Challenges

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

- Some payments taken to the County treasury takes too long to be paid.
- Non prioritization of payments by the County Treasury
- IFMIS operation technicalities
- Late approval of the supplementary budget
- Lack of funding for KUSP (UDG) by the World Bank

#### 1. Risk Management Strategies

Strengthening of Project Management and Implementation Committee (PMIC) in addition to conducting project monitoring and evaluation



.....

**Name: Abala M. Wanga**

**City Manager**

**7. Statement of Performance Against Predetermined Objectives for the year ended 30<sup>th</sup> June 2025**

**Introduction**

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

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

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Solar lights implementation on various streets within the city	-Enhance Energy Efficiency and Sustainability -Improve Lighting Reliability and Coverage -Reduce Operational and Maintenance Costs	-Improved security -Convenience to access, support business and improve business ties	-No of streetlights upgraded	Due to the special nature of infusion the designs of the lights with CCTV are ongoing, thus production and implementation
Installation and maintenance of street lights and flood lights within the city	-Enhance Safety and Security -Improve Functionality of Public Spaces -Ensure Energy Efficiency and Durability	Improved security -Convenience to access, support business and improve business ties	No of streetlights rehabilitated	100% Complete
Refurbishment of Public buildings and facilities	-Enhance Structural Integrity and Safety -Improve	-Improved working environment	-Modernized offices and habitable building	70% Complete

Program	Objective	Outcome	Indicator	Performance
	Functionality and Accessibility - Promote Energy Efficiency and Sustainability			
Improvement repair and maintenance of access road within the city	-Enhance Accessibility and Connectivity -Promote Safety and Durability -Support Sustainable Development	Improved road infrastructure	Number and length of roads improved	All works executed
Purchase of segregation and bailer machines (waste management programme)	-To enhance city capacity to manage waste	-Enhanced waste management capacity	-No of bins purchased	In progress
Tree planting and Greening of open spaces and road corridors	-To improve tree cover within the city	-Tree cover improved	-No of trees planted	Fully executed
Improvements of drainage works within the city	-Mitigate Flood Risks and Enhance Water Flow Efficiency -Restore and Improve Drainage Infrastructure -Promote Environmental and Public Health	-Impact on Periodic Flash Flooding (PFF)	- Mitigated effects of flash floods at down streams. - Restoration of rivers to their natural states. -Optimized river capacity to channel stormwater	All works fully executed

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

## 8. Corporate Governance Statement

### *a. Process of appointment and removal of Board members.*

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

Following this laid legislation and procedure the Governor nominated the eleven board members on 1<sup>st</sup> August 2024 and was vetted by the Assembly on 15<sup>th</sup> August 2024 and gazetted on 15<sup>th</sup> November 2024.

Urban Areas and Cities act section 16 stipulates that:

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

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

### *b. Roles and functions of the City Board members,*

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

- (a) Oversee the affairs of the city or;
- (b) Develop and adopt policies, plans, strategies and programmes, and may set targets for delivery of services;
- (c) Formulate and implement an integrated development plan;
- (d) control land use, land sub-division, land development and zoning by public and private sectors for any purpose, including industry, commerce, markets, shopping and other employment centres,

residential areas, recreational areas, parks, entertainment, passenger transport, agriculture, and freight and transit stations within the framework of the spatial and master plans for the city or as may be delegated by the county government;

(e) As may be delegated by the county government, promote and undertake infrastructural development and services within the city or;

(f) Develop and manage schemes, including site development in collaboration with the relevant national and county agencies;

(g) Maintain a comprehensive database and information system of the administration and provide public access thereto upon payment of a nominal fee to be determined by the board; (h) administer and regulate its internal affairs;

(i) Implement applicable national and county legislation; [Rev. 2012] No. 13 of 2011 Urban Areas and Cities 13 [Issue 1]

(j) enter into such contracts, partnerships or joint ventures as it may consider necessary for the discharge of its functions under this Act or other written law;

(k) monitor and, where appropriate, regulate city and municipal services where those services are provided by service providers other than the board of the city or; (l) prepare and submit its annual budget estimates to the relevant County Treasury for consideration and submission to the County Assembly for approval as part of the annual County Appropriation Bill;

(m) as may be delegated by the county government, collect rates, taxes levies, duties, fees and surcharges on fees;

(n) settle and implement tariff, rates and tax and debt collection policies as delegated by the county government;

(o) Monitor the impact and effectiveness of any services, policies, programmes or plans;

(p) Establish, implement and monitor performance management systems;

(q) Promote a safe and healthy environment;

(r) Facilitate and regulate public transport; and

(s) Perform such other functions as may be delegated to it by the county government or as may be provided for by any written law.

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

Since coming to office in October 2024, the Kisumu City Board has had one induction training but has not held any further training for the Board or the individual members. However, members of the secretariat have had training that relates to running the board.

*d. Succession plan,*

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

*e. Existence of a service charter,*

*Being that the City was established as a millennium City there exists a service charter*

*f. Conflict of interest,*

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

*g. Board remuneration,*

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

*h. Ethics and conduct as well as governance audit undertaken if any*

*None has been carried out so far.*

## 9. Management Discussion and Analysis

### a) The Operational and Financial Performance

The County Government of Kisumu allocated KShs. 1,096,691,632 to the City of Kisumu during the Financial year 2024/2025. By 30<sup>th</sup> June 2025 KShs. 482,494,857 (44%) had been utilized with actual payments of KShs. 299,230,628 (40%) the difference being accrued expenses

### b). Key Projects or Investments decision implemented or Ongoing

The city of Kisumu had rolled out projects as stated in the budget for the FY 2024/2025 that were funded by the county Government of Kisumu

Projects that were implemented includes:

- i) Upgrading of streetlights & cctv cameras
- ii) Upgrading of streetlights within estates
- iii) Purchase of Generator for works yard
- iv) Purchase of bailer and shredder machines (waste management programme)
- v) Completion of Rota Bridge and Kaloleni Social Centre
- vi) Completion of Nyamasaria Bus Park

### c). Compliance with Statutory requirement

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

### d). Major risks facing the city

- i. Inadequate budgetary allocation

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

- ii. Inadequate resources

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

iii. Delay in Payments and Inadequate cash disbursement

The County Government of Kisumu allocated **KShs. 1,096,691,632** to the City of Kisumu during the Financial year 2024/2025. By 30<sup>th</sup> June 2025 **KShs. 482,494,857 (44%)** had been utilized with actual payments of **KShs. 299,230,628 (40%)** the difference being accrued expenses

## 10. Environmental and Sustainability Reporting

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

### 1. *Sustainability strategy and profile*

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

### 2. *Environmental performance*

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

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

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

## Success and shortcomings of the organization

### Success

- Approved Local Physical Detailed Land Use Plan
- Approved Mobility Plan
- Sustainable cleaning of coded city streets to ensure a clean, safe and healthy environment
- Establishment of waste material recovery centres for waste recycling and re-use
- Improvement of waste evacuation activities through procurement of refuse skip bins and loaders

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

#### **Shortcomings**

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

#### **Efforts to manage biodiversity.**

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

### **Solid waste management policy**

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

### **Efforts to reduce environmental impacts**

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

### **3. Employee welfare**

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

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

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

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

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

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

#### **a) Responsible Supply chain and supplier relations**

- (i) We maintain good business practice by ensuring that we follow the Public Procurement and Asset Disposal Act accompanying Regulation.

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

#### *4. Community Engagements*

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

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

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

## 11. Report of the City Board Members

The Board Members submit their report together with the annual financial statements for the year ended June 30, 2025 which show the state of the City affairs.

### Principal activities

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

### Performance

The performance of the city for the year ended 30<sup>th</sup> June 2025 are set out on page 1

### Board Members

The members of the Board who served during the year are shown on page viii-xii. The eleven Board members were nominated on 1<sup>st</sup> August 2024 and were vetted by the Assembly on 15<sup>th</sup> August 2024 and gazetted on 15<sup>th</sup> November 2024.

### Auditors

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

By Order of the Board



.....  
**Name: Tabitha Oduor**

**Ag. Secretary of the Board**

## **12. Statement of Management's Responsibilities**

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

The City manager is responsible for the preparation and presentation of the City financial statements, which give a true and fair view of the state of affairs of the City for and as at the end of the year ended 30<sup>th</sup> June 2025. This responsibility includes:

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

The City Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *Urban Areas and Cities Act No. 13 of 2011*. The City Manager is of the opinion that the financial statements give a true and fair view of the state of City, s transactions during the year ended 30<sup>th</sup> June 2025, and the financial position as at that date.

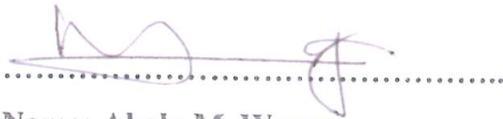
The City Manager further confirms the completeness of the accounting records which have been relied upon in the preparation of financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the City Manager has assessed the City ability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

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

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

**Approval of the financial statements**

The City's financial statements were approved by the Board on 27<sup>th</sup> August 2025 and signed on its behalf by:



**Name: Abala.M. Wanga**

**Accounting officer of the Board**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON CITY OF KISUMU FOR THE YEAR ENDED 30 JUNE, 2025**

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### **PREAMBLE**

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

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

An Adverse Opinion is issued when the Auditor-General determines that the financial statements are materially misstated and are not fairly presented in accordance with the applicable financial reporting framework. The Report on the 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**

#### **Adverse Opinion**

I have audited the accompanying financial statements of City of Kisumu set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of City of Kisumu as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Urban Areas and Cities Act, 2012 and the Public Finance Management Act, 2012.

## **Basis for Adverse Opinion**

### **1. Lack of Autonomy for the Board of Management**

As was reported in the previous year, it was noted that the management of the City of Kisumu was not autonomous as envisaged in the Urban Areas and Cities Act, 2011. Further, the Board had been fully constituted and operational and during the year it drew an amount of Kshs.13,851,678 in remuneration. However, the financial management role was still being undertaken by the County Executive as most of the payments were made by the County Executive on Behalf of the Board.

In addition, review of records indicated that the control over budget and actual performance were domiciled in the County Executive including the development budget allocation totalling to Kshs.912,594,236. This was contrary to Section 46(1) of the Urban Areas and Cities Act, 2011 which requires the Cities to prepare and maintain separate books of accounts and financial statements and as such its expenditures should be reported separately from those of the County Government of Kisumu. In addition, the County Government continues to perform functions which should have been transferred contrary to Section 48(1)(a) of the County Governments Act, 2012 which states that subject to subsection (3), the functions and provision of services of each County Government shall be decentralized to the urban areas and cities within the county established in accordance with the Urban Areas and Cities Act, No. 13 of 2011.

In the circumstances, the completeness, accuracy and validity of most of the transactions could not be confirmed as they were carried out by the County Executive and the Executive was in breach of the law.

### **2. Unreconciled Transfers from the County Government**

The statement of financial performance reflects an amount of Kshs.258,722,410 as indicated in Note 6(a) to the financial statements, while the County Government reflects an amount of Kshs.206,585,822 as having been transferred to the City, resulting to unreconciled variance of Kshs.52,136,588.

In the circumstance, the accuracy and completeness of the transfers from the County Executive could not be confirmed.

### **3. Staff Costs**

The statement of financial performance reflects a nil amount in respect of staff costs. It was indicated that the staff costs were not included in the financial statements because the City did not pay for the staff costs, but had instead been paid by the County Executive. This is inconsistent with the matching principle of accounting, where revenues should be matched with expenditures. In addition, the City is indicated to have staff members exceeding six hundred and failure to include their costs amounts to understatement of expenditure.

In the circumstances, the financial statements are misstated.

### **4. Unsupported Use of Goods and Services**

The statement of financial performance and as indicated in Note 7 to the financial statements reflects an amount of Kshs.449,372,884 in respect of use of goods and services. The amount includes an amount of Kshs.269,759,505 described as accruals and an amount of Kshs.179,613,379 being actual payments for the year. It was observed that while the amount of Kshs.179,613,379 was supported with documentary evidence, the amount of Kshs.269,759,505 described as accruals were not supported with any documentation.

In the circumstances, the accuracy of the amount of Kshs.449,372,884 described as use of goods and services could not be confirmed.

### **5. Long Outstanding Receivables from Exchange Transactions**

The statement of financial position reflects receivables from exchange transactions balance of Kshs.122,147,890 as disclosed in Note 12 to the financial statements. The balance includes Kshs.120,591,890 or 98% of the total receivables which has remained outstanding for over 3 years. However, Management has not taken any measures to recover these long outstanding receivables.

In the circumstances, the accuracy, completeness and recoverability of receivables from exchange transactions amounting to Kshs.122,147,890 could not be confirmed.

### **6. Unsupported Long Outstanding Trade and Other Payables**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.755,272,109 as disclosed in Note 14 to the financial statements. The trade and other payables include an amount of Kshs.564,996,525 that has been outstanding for more than one year. In addition, Management seems to have no strategies and controls in place to clear the payables.

In the circumstances, the accuracy and completeness of trade and other payables amount of Kshs.755,272,109 could not be confirmed.

### **7. Unsupported Prior Year Adjustments**

The statement of changes in net assets reflect an amount of Kshs.13,995,779 in respect of prior year adjustment. Management has explained that this figure relates to

payables accounted twice. However, the balance is not supported by the relevant schedule/list of payables accounted twice and journals correcting the error.

In the circumstances, the accuracy of the prior year adjustments amounting to Kshs.13,995,779 could not be confirmed.

## **8. Material Uncertainty in Relation to Going Concern**

The statement of financial position reflects a balance of Kshs.770,252,253 in respect of current liabilities which exceeded the total current assets balance of Kshs.137,284,276, resulting in a negative working capital of Kshs.632,968,077. Further, the statement of financial performance show that the City of Kisumu incurred expenses amounting to Kshs.482,494,857 against total revenue amounting to Kshs.258,722,410 resulting to a deficit of Kshs.223,772,447. This is an indication that the City may not be able to settle its obligations as and when they fall due and the existence of a material uncertainty, which casts doubt on its ability to sustain its going concern and its existence is dependent on continued support from County Government of Kisumu.

This material uncertainty relating to going concern and measures taken to mitigate the undesirable financial position have not been disclosed in the financial statements.

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

## **Emphasis of Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,096,691,632 and Kshs.258,722,410 respectively resulting to an under funding of Kshs.837,969,222 or 76% of the budget. Further, the statement of comparison of budget and actual amounts reflects actual total recurrent expenditure of Kshs.482,494,857 against final budget of Kshs.184,097,396 resulting to over expenditure of Kshs.298,397,461 or 262 % of the budget. The source of the excess funds has not been explained. In addition, the statement development expenditure of Kshs.169,217,590 against a final budget of Kshs.912,594,236 resulting to under absorption of expenditure of Kshs.743,376,646 or 162% of the final budget. However, approval for over expenditure was not provided for audit.

In the circumstances, it would appear that the City did not have a budget as figures provided do not reflect practical budgeting process.

My opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Adverse section, I have determined that there are no other key audit matters to communicate in my report.

## Other Matter

### Unresolved Prior Year Matters

In the prior year's audit report, 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. Review of the status during audit of the City of Kisumu in 2024/2025 revealed that the following thirteen (13) issues remained unresolved:

No.	Financial Year	Audit Issue
1	2023-2024	Unsupported Staff Cost
2	2023-2024	Variances under Transfer from the County Government
3	2023-2024	Unsupported Property, Plant and Equipment
4	2023-2024	Project Implementation Status
5	2023-2024	Engagement of Legal Services without Approval
6	2023-2024	Non-Compliance with Gender and Ethnicity Rule
7	2023-2024	Non-Implementation of Audit Recommendations
8	2023-2024	Lack of Internal Audit Function and Audit Committee
9	2023-2024	Unsupported Staff Cost
10	2023-2024	Variances under Transfer from the County Government
11	2023-2024	Unsupported Property, Plant and Equipment
12	2023-2024	Project Implementation Status
13	2023-2024	Engagement of Legal Services without Approval

## Other Information

The Management is responsible for the Other Information set out on page ii to xxxv, which comprise of the Company Information and Overall Performance, Statement of Performance against the Board Predetermined Objectives, Cooperate Social Responsibility and Statement of Management's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the City's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this Other Information and I am required to report that fact. Based on the audit procedures performed, because of the significance of the matters described in my Basis for Adverse Opinion, I confirm that the Other Information is materially inconsistent with the financial statements

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### Conclusion

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

### Basis for Conclusion

#### 1. Irregular Payments to Members of County Assembly and Staff

The statement of financial performance and as disclosed in Note 9 to the financial statement reflects an amount of Kshs.13,851,678 in respect of board expenses. Included in the payment is an amount of Kshs.1,578,400 in respect of cash allowances paid to Members of the County Assembly (MCAs) for induction and consultative meeting in Mombasa. However, these payments which should have been paid by the County Assembly, were irregularly paid by the City of Kisumu contrary to Section 162 of the Public Finance Management Act, 2012 which requires a public officer to ensure that resources within the officer's area of responsibility are used in a way that is lawful and authorized, effective, efficient, economical and transparent.

In the circumstances, the regularity of the induction and training amount of Kshs.1,578,400 could not be confirmed.

#### 2. Contracts Management and Implementation

During the year under review, the City of Kisumu implemented several projects. Review and physical inspection of the sampled project sites revealed the following unsatisfactory matters: -

##### 2.1 Delayed Completion of Kaloleni Community Centre

As previously reported, Management signed a contract on 7 August, 2020 for the construction of Kaloleni Community Centre at a contract sum of Kshs.151, 468,960. The implementation period was twenty-four (24) months and expected completion date of 6 August, 2022. Further, review of records revealed that Management re-awarded for construction for the completion of Kaloleni Social Hall at a cost of Kshs.26,999,937 on 6 January, 2025 for a contract period of six (6) months from the date of agreement. During the year under review, the City of Kisumu paid a total amount of Kshs.12,165,732 for works done. However, site visit in the month of October, 2025 revealed that the works remained incomplete and the contractor was not on site and had not requested for an extension of the contract period. Information provided indicate that the previous contractor disengaged with the Management with certified works amounting to Kshs.77,165,732 as per the 5<sup>th</sup> interim certificate.

• However, reasons for termination and relevant supporting documents were not provided for audit review.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed

## **2.2 Construction of Nyamasaria Bus Park**

As previously reported, Management signed a contract on 4 August, 2020 for the construction of Nyamasaria Bus Park at a contract sum of Kshs.99,883,902. The implementation period was twenty-four (24) months and expected completion date of 3 August, 2022. The projected final account at handing over was revised to Kshs.104,400,481. The amount paid to date for the certified works as per the interim certificate dated 3 June, 2022 is Kshs.81,859,016.66 with a pending certificate of Ksh19,449,769.98. During the year under review, Management made a payment of Kshs.15,000,000 but the actual works done could not be quantified since the bus park was not still in use.

In the circumstances, the value for money spent on construction of the project during the year under review could not be confirmed.

## **2.3 Provision of Containers at the Proposed Nyamasaria Bus Park Stalls**

Review of contract records revealed that the Management engaged a firm to undertake the upgrading of Nyamasaria Bus Park Phase I at a cost of Kshs.16,985,473 out of which Kshs.7,544,444 or 44% of the contract was paid to a contractor during the year under review. However, physical inspection carried out in the month of October, 2025 revealed that although the bus park stalls were complete, they had not been officially handed over to the Management and was not in use. Although Management explained that there was a petition in court as at 30 June, 2024, no evidence was provided to support the position.

In the circumstances, value for money on expenditure of Kshs.7,544,444 on the implementation of projects could not be confirmed.

## **2.4 Construction of a Toilet at Kondele ECDE**

Review of records revealed that Management entered into a contract for construction of a toilet at Kondele ECDE at a cost of Kshs.1,991,115. The certificate of practical completion dated 3 April, 2025 indicated that civil works were complete. However, physical inspection carried out in October, 2025 revealed that although the project was completed, it was not in use. Management did not explain why the completed project was not operational.

In the circumstances, the public may not have obtained benefits from the completed project.

## **2.5 Renovation and Equipping of Migosi Sub-County Hospital Kitchen and Installation of Laundry Machine**

Review of contract records provided for audit revealed that Management entered into an agreement with a Company on 28 March, 2025 for the renovation and equipping of

Migosi Sub-County Hospital kitchen and installation of laundry machine at a contract sum of Kshs.3,998,752. However, physical inspection carried out in October, 2025 revealed the project was completed but not in use. Although Management explained that the keys were handed over, the completed project was not operational.

In the circumstances, the public may not have obtained benefits from the completed project.

### **3. Non-Compliance with Fiscal Responsibility on Debt to Revenue Ratio**

The statement of financial position reflects total liabilities totaling to Kshs.770,252,253 as at 30 June, 2025 representing 298% of the total revenue of Kshs.258,722,410. This was contrary to Regulation 25(1)(d) of Public Finance Management (County Government) Regulations, 2015 states the county public debt shall never exceed twenty (20%) percent of the county governments total revenue at any one time.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Lack of a Risk Management Policy**

The City of Kisumu did not have a Risk Management Policy that provided a framework for minimizing risks by enhancing mitigative and corrective measures thereby maximizing potential opportunities. Further, risk assessment was not conducted during the year under review. As a result, there was no identification, assessment and rating of risks or development of strategies to deal with identified risks, so as to provide reasonable assurance that the City's objectives would be achieved.

In the circumstances, the effectiveness of the City's risk management practices could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether

effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of the Management and the Board of Management**

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

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards 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

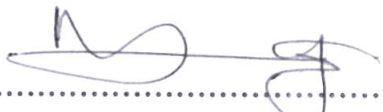
Nairobi

02 December, 2025

14. Statement of Financial Performance for The Year Ended 30<sup>th</sup> June 2025.

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Revenue from non-exchange transactions</b>			
Transfers from the County Government	6	258,722,410	402,159,385
<b>Revenue from non-exchange transactions</b>		<b>258,722,410</b>	<b>402,159,385</b>
<b>Total revenue</b>		<b>258,722,410</b>	<b>402,159,385</b>
<b>Expenditure</b>			
Use of goods and services	7	449,372,884	141,707,607
Staff costs	8	-	238,422,534
Board expenses	9	13,851,678	-
Depreciation and amortization	12	16,770,295	10,478,653
Transfer to other County Entity	17	2,500,000	-
<b>Total expenses</b>		<b>482,494,857</b>	<b>390,608,795</b>
<b>Surplus/(deficit) for the year</b>		<b>(223,772,447)</b>	<b>11,550,590</b>

The notes set out on pages 7 to 32 form an integral part of these Financial Statements. The entity financial statements were approved on 27<sup>th</sup> August 2025 and signed by:



.....

Name: Abala.M. Wanga

City Manager



.....

Name: Evans Otieno Ogweno


Head of Finance

ICPAK M/No 13454

15. Statement of Financial Position as at 30<sup>th</sup> June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents.	11	15,136,386	154,638
Receivables from exchange transactions		-	-
Receivables from Non- exchange transactions	12	122,147,890	175,277,817
<b>Total current assets</b>		<b>137,284,276</b>	<b>175,432,455</b>
<b>Non-current assets</b>			
Property, plant, and equipment	13	643,620,475	432,608,059
<b>Total Non-current Assets</b>		<b>643,620,475</b>	<b>432,608,059</b>
<b>Total assets (A)</b>		<b>780,904,751</b>	<b>608,040,514</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	755,272,109	550,387,609
Refundable deposits from customers	15	14,980,144	-
<b>Total current liabilities</b>		<b>770,252,253</b>	<b>550,387,609</b>
<b>Total liabilities (B)</b>		<b>770,252,253</b>	<b>550,387,609</b>
<b>Net Assets (A-B)</b>		<b>10,652,498</b>	<b>57,652,906</b>
<b>Represented by:</b>			
Capital/Development Grants/Fund		493,647,447	330,871,187
Reserves		-	-
Accumulated surplus/(deficit)		(482,994,949)	(273,218,281)
<b>Net Assets/Equity</b>		<b>10,652,498</b>	<b>57,652,906</b>

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 27<sup>th</sup> August 2025 and signed by:



Name: Abala.M. Wanga  
City Manager



Name: Evans Otieno Ogweno  
Head of Finance  
ICPAK M/No 13454

16. Statement of Changes in Net Assets for the Year Ended 30<sup>th</sup> June 2025

Description	Capital Development Grants/Fund	Accumulated Surplus	Total
		Kshs.	Kshs.
<b>Balance as at 1 July 2023</b>	<b>306,435,679</b>	<b>(284,768,871)</b>	<b>21,666,807</b>
Surplus for the year		11,550,590	11,550,590
Funds received during the year	24,435,508	-	24,435,508
<b>Balance as at 30 June 2024</b>	<b>330,871,187</b>	<b>(273,218,281)</b>	<b>57,652,906</b>
<b>Balance as at 1 July 2024</b>	<b>330,871,187</b>	<b>(273,218,281)</b>	<b>57,652,906</b>
Surplus for the year		(223,772,447)	(223,772,447)
Funds received during the year	162,776,260	-	162,776,260
Prior year adjustment		13,995,779	13,995,779
<b>Balance as at 30<sup>th</sup> June 2025</b>	<b>493,647,447</b>	<b>(482,994,949)</b>	<b>10,652,498</b>

**Note:** Prior year adjustment relates to payable accounted for twice but has now been corrected

17. Statement of Cash Flows for The Year Ended 30<sup>th</sup> June 2025

Description	Note	2024/2025	2023/2024
		Kshs.	Kshs.
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the County Government	6	421,498,670	426,594,893
<b>Total Receipts</b>		<b>421,498,670</b>	<b>426,594,893</b>
<b>Payments</b>			
Use of goods and services	7	335,516,155	163,770,898
Staff costs	8	-	238,422,534
Board expenses	9	12,324,878	-
Transfer to other County Entities	17	2,500,000	-
<b>Total Payments</b>		<b>350,341,033</b>	<b>402,193,433</b>
<b>Net cash flows from operating activities</b>	16	<b>71,157,637</b>	<b>24,401,460</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE & intangible assets	13	(69,656,034)	(24,435,508)
Retention Monies	15	14,980,144	-
<b>Net cash flows used in investing activities</b>		<b>54,675,890</b>	<b>(24,435,508)</b>
<b>Cash flows from financing activities</b>			
Borrowing by the County Treasury	17	(1,500,000)	-
<b>Net cash flows used in financing activities</b>		<b>(1,500,000)</b>	<b>-</b>
<b>Net increase(decrease) in cash &amp; cash equivalents</b>		<b>14,981,747</b>	<b>(34,048)</b>
Cash and Cash Equivalents At 1 July		154,638	188,687
<b>Cash and Cash Equivalents At 30 June</b>	13	<b>15,136,386</b>	<b>154,638</b>

18. Statement of Comparison of Budget & Actual Amounts for the Year ended 30<sup>th</sup> June 2025

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs. A	Kshs. B	Kshs. c=(a+b)	Kshs. D	Kshs. e=(c-d)	f=dc
<b>Revenue</b>						
Transfers from the County Government	671,800,000	424,891,632	1,096,691,632	258,722,410	837,969,222	24%
Public contributions and donations	-	-	-	-	-	-
<b>Total Revenue</b>	<b>671,800,000</b>	<b>424,891,632</b>	<b>1,096,691,632</b>	<b>258,722,410</b>	<b>837,969,222</b>	<b>24%</b>
<b>Expenses</b>						
Urban Development Grant Project	-	-	-	-	-	-
Use of goods and services	155,100,000	(164,604)	154,935,396	449,372,884	(294,437,488)	290%
Board expenses	25,000,000	(3,338,000)	21,662,000	13,851,678	8,990,122	64%
Depreciation	-	-	-	16,770,295	(16,770,295)	-
Transfer to other county entities	15,000,000	(7,500,000)	7,500,000	2,500,000	5,000,000	33%
Finance cost	-	-	-	-	-	-
<b>Total expenses</b>	<b>195,100,000</b>	<b>(11,002,604)</b>	<b>184,097,396</b>	<b>482,494,857</b>	<b>(298,397,461)</b>	<b>262%</b>
<b>Capital items</b>						
Acquisition of PPE	476,700,000	35,894,236	912,594,236	227,782,711	684,811,525	0%
Acquisition of Intangible assets	-	-	-	-	-	-
Borrowings	-	-	-	1,500,000	(1,500,000)	-

**City of Kisumu**  
**Annual Report and Financial Statements for the year ended June 30, 2025**

Total expenses Development	476,700,000	435,894,236	912,594,236	229,282,711	683,311,525	0%
Total Expenditure	671,800,000	424,891,632	1,096,691,632	711,777,568	384,914,064	262%
Surplus/deficit for the year	-	-	-	(453,055,157)	453,055,157	(238%)

**Budget notes**

*The difference in the budget Underutilisation of capital expenditure is due to delayed implementation of 2024/2025 budget and delayed approval of the supplementary budget Borrowing relates to money borrowed by the executive but had not been wired by the end of the financial year*

Description of Particulars	Amount in K.shs
Actual Surplus Amounts as per the statement of Budget	(453,055,157)
1 Basis difference	16,770,295
2 Timing differences	242,744,569
3 Entity differences	-
4 Classification differences	208,676,680
Closing Cash and Cash Equivalent as per the statement of Cash flows	15,136,386.12

## 19. Notes to the Financial Statements

### 1. General Information

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

The principal activities:

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

### 2. Statement of Compliance and Basis of Preparation

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

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

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Application of New and revised standards (IPSAS)

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

There are no new standards effective 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: Leases	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> 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.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> 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.
IPSAS 45: Property Plant and Equipment	<b><i>Applicable 1<sup>st</sup> January 2025</i></b> 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.
IPSAS 46: Measurement	<b><i>Applicable 1<sup>st</sup> January 2025</i></b>

	<p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ol> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year 2024.

#### **4. Significant Accounting Policies**

##### **a) Revenue recognition**

###### *Transfers from other government entities*

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *Entity* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

##### **i) Revenue from exchange transactions**

###### *Interest income*

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

##### **a) Budget information**

The original budget for FY 2024/2025 was approved by the County Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the City upon receiving the respective approvals in order to conclude the final budget. Accordingly, the city has not recorded any additional appropriations

The City's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of

budget and actual amounts. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on these financial statements.

**b) Property, plant and equipment**

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

Applicable depreciation rates for the year were

- Buildings 2%
- Furniture & fittings 12.5%
- Computers 30%
- Equipment 12.5%

**c) 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 year in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

*(Significant accounting policies continued)*

**d) Financial instruments**

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

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

**Financial assets**

**Classification of financial assets**

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

### **Subsequent measurement**

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

### **Amortized cost**

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

### **Fair value through net assets equity**

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

### **Fair value through surplus or deficit**

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

### **Trade and other receivables**

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

### **Impairment**

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

### **Financial liabilities**

#### **Classification**

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

#### **e) Inventories**

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

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

#### **f) Provisions**

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

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

**g) Social Benefits**

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

**h) Contingent liabilities**

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

**i) Contingent assets**

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

**j) Nature and purpose of reserves**

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

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

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

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

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

**m) Foreign currency transactions**

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

**n) Borrowing costs**

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

**o) Related parties**

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

**p) Cash and cash equivalents**

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

**q) Comparative figures**

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

**r) Events after the reporting period**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- (a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) Those that are indicative of conditions that arose after the reporting date (*non-adjusting events after the reporting date*).

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

**s) Currency**

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

## **5. Significant judgments and sources of estimation uncertainty**

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

State all judgements, estimates and assumptions made.

### **Estimates and assumptions.**

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

### **Useful lives and residual values**

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

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

Notes to the Financial Statements

6. Transfers from the County Government

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from County Govt.	229,265,388	15,500,000
Payments by County on behalf of the entity	192,233,282	411,094,893
Unconditional development grants	-	-
<b>Total</b>	<b>421,498,670</b>	<b>426,594,893</b>

(The revenues are composed of transfers to City of Kisumu operations accounts at CBK and Commercial Bank and payments made by the executive on behalf of City of Kisumu as tabulated above)

(a) Transfers from County Government entities (Categorized)

Name Of The Entity Sending The Grant	Amount recognized to Statement of financial performance* Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2023/2024
			Kshs	Kshs	Kshs
County Government of Kisumu	258,722,410	-	162,776,260	421,498,670	426,594,839
<b>Total</b>	<b>258,722,410</b>	<b>-</b>	<b>162,776,260</b>	<b>421,498,670</b>	<b>426,594,839</b>

(Ensure that the amount recorded above as having been received from the County fully reconciles to the amount recorded by the sending County office. An acknowledgement note receipt should be raised in favour of the sending County office.) \*Amount recognised in the statement of financial performance should be the recurrent grant and the development grant to the extent that there are no conditions attached. Total of column 1 should tie to note 6 The details of the reconciliation have been included under appendix 2

## 7. Use of Goods and Services

## A -Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Other Assets:	-	-
Actual Payments	179,613,379	(70,008,897)
Accrued expenses	269,759,505	211,716,505
<b>Total</b>	<b>449,372,884</b>	<b>141,707,607</b>

## B-. Use of Goods and Services

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Utilities, supplies and services	1,041,061	6,000,00
Communication, supplies and services	603,500	300,240
Domestic travel and subsistence	6,236,515	2,188,760
Foreign travel and subsistence	383,496	3,746,046
Printing, advertising, supplies & services	2,467,835	1,885,708
Uniforms & Clothing	-	990,000
Sanitary & Cleaning Supplies	1,718,200	499,750
Membership & subscriptions	283,209	51,180
Hospitality supplies and services	2,075,473	7,297,013
Insurance costs	-	1,839,479
Specialized materials and services	4,497,000	874,500
Office and general supplies and services	4,272,838	1,304,676
Fuel, oil and lubricants	27,000,000	29,302,460
Other operating expenses	-	4,145,619
Routine maintenance - Other Assets	118,948,294	66,302,281
Routine maintenance – Buildings	-	6,747,813
Routine maintenance – Vehicles	431,098	1,418,236
Routine maintenance – other equipment	570,000	582,818
Contracted Professional Services	1,670,146	8,004,273
Audit fees/Legal Fees	1,740,000	1,997,520
Hire of Transport, equipment etc	5,478,860	2,120,000
Bank Charges	25,855	23,273
Social Benefit expenses	170,000	20,000
Prior Year Adjustment(2021/2022 expensed in 2022/2023)	-	(217,650,542)
<b>Total</b>	<b>179,613,379</b>	<b>(70,008,898)</b>

\*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42.

**8. Staff costs**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Salaries and wages	-	184,989,047
Staff gratuity	-	-
Social security contribution	-	53,433,487
<b>Total</b>	-	<b>238,422,534</b>

**9. Board expenses**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Sitting allowances	1,143,500	-
Medical Insurance	-	-
Induction and Training	9,811,375	-
Domestic-Travel and Accommodation	1,102,500	-
Foreign-Travel and Accommodation	-	-
Office & General Supplies	53,708	-
Conference Costs	1,740,595	-
Other allowances - Public Participation	-	-
<b>Total</b>	<b>13,851,678</b>	-

**10. Depreciation and amortization**

Description	2024/2025	2023/2024
	KShs	KShs
Property, plant and equipment	16,770,295	10,478,653
Intangible assets	-	-
Investment property carried at cost	-	-
<b>Total depreciation and amortization</b>	<b>16,770,295</b>	<b>10,478,653</b>

**11. Cash and cash equivalents**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Current account	156,242	154,638
Retention Account	14,980,144	-
<b>Total cash and cash equivalents</b>	<b>15,136,386</b>	<b>154,638</b>

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

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

Financial institution	Account number	2024/2025	2023/2024
		Kshs.	Kshs.
<b>a) Current account</b>			
KUSP UDG-Ksm City (SBM)	152378640001	147,647	147,647
Operations (Equity)	1700280863160	8,595	6,991
<b>b) Deposit account</b>			
City of Kisumu Retention	1000762217	14,980,144	
<b>Total</b>		<b>15,136,386</b>	<b>154,638</b>

**12. Receivables from Non-Exchange transaction**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Balance bf	175,277,817	347,500,886
Received during the year	(93,120,226)	(172,223,069)
Increase during the year	39,990,299	-
<b>Total</b>	<b>122,147,890</b>	<b>175,277,817</b>

Ageing analysis for Receivables from non-exchange transactions

Description	2024/2025		2023/2024	
	Kshs		Kshs	
	2024/2025	% of the Total	2023/2024	% of the total
Less than 1 year	1,556,000	1.8%	-	1.8%
Between 1- 2 years	-	-	-	-
Between 2-3 years	-	-	175,277,817	-
Over 3 years	120,591,890	98.2%	-	98.2%
<b>Total</b>	<b>122,147,890</b>	<b>100%</b>	<b>175,277,817</b>	<b>100%</b>

**Notes**

- a) The increase in receivables during the year is an amount that was borrowed by the executive Kshs. 1,500,000, Safaricom Ltd toll free line deposit of Kshs. 56,000 for Fire station and Kisumu Urban Project (KUP) of Shs. 38,434,299

13. Property, Plant and Equipment

Description	Building	Furniture and fittings	Computers	Equipments	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs
<b>Depreciation rate</b>	2%	12.5%	30%	12.5%		
<b>Cost</b>						
As at 1 July 2023	-	-	-	-	1,275,301	1,275,301
Additions	4,910,610	6,939,966	12,125,001	47,003,561	65,791,716	136,770,854
Disposals	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	305,040,557	305,040,557
<b>As at 30<sup>th</sup> June 2024</b>	<b>4,910,610</b>	<b>6,939,966</b>	<b>12,125,001</b>	<b>47,003,561</b>	<b>372,107,574</b>	<b>443,086,712</b>
Additions for the year	78,827,584	-	1,139,995	34,984,728	112,830,403	227,782,711
Disposals for the year	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2025</b>	<b>83,738,194</b>	<b>6,939,966</b>	<b>13,264,996</b>	<b>81,988,289</b>	<b>484,937,977</b>	<b>670,869,423</b>
<b>Depreciation and impairment</b>						
At 1 July 2023	-	-	-	-	-	-
Depreciation	98,212	867,496	3,637,500	5,875,445	-	10,478,653
<b>As at 30 June 2024</b>	<b>98,212</b>	<b>867,496</b>	<b>3,637,500</b>	<b>5,875,445</b>	<b>-</b>	<b>10,478,653</b>
Depreciation for the year	1,674,764	867,496	3,979,499	10,248,536	-	16,770,295

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Description	Building	Furniture and fittings	Computers	Equipments	Capital Work in progress	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Disposals for the year	-	-	-	-	-	-
As at 30 <sup>th</sup> June 2025	1,772,976	1,734,992	7,616,999	16,123,981	-	27,248,948
NBV as at 30 <sup>th</sup> June 2024	4,812,398	6,072,470	8,487,501	41,128,116	372,107,574	432,608,059
NBV as at 30 <sup>th</sup> June 2025	81,965,218	5,204,975	5,647,997	65,864,308	484,937,977	643,620,475

14. Trade and other payables from exchange transactions

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Trade payables				
Balance bf	550,387,609		414,688,081	
Payments during the year	(198,940,370)		(188,352,323)	
Accrued expenses	271,286,305		211,716,505	
Other payables- KUSP	-		51,795,937	
Other payables- KUP	38,434,299		-	
Other payables-Capitalized	94,104,266		60,539,409	
<b>Total trade and other payables</b>	<b>755,272,109</b>		<b>550,387,609</b>	
<b>Ageing analysis:</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the Total</b>
Under one year	190,275,584	35%	167,692,264	30%
1-2 years	124,364,369	23%	155,621,591	28%
2-3 years	179,576,588	33%	227,073,754	41%
Over 3 years	260,708,566	9%	-	
<b>Total</b>	<b>755,272,109</b>	<b>100%</b>	<b>550,387,609</b>	<b>100%</b>

15. Refundable deposits and prepayments from customers

Description	2024/2025		2023/2024	
	Kshs.		Kshs.	
Rent deposits	-		-	
Prepayments	-		-	
Retention monies	14,980,144		-	
<b>Total trade and other payables</b>	<b>14,980,144</b>		<b>-</b>	
<b>Ageing analysis:</b>	<b>2024/2025</b>	<b>% of the Total</b>	<b>2023/2024</b>	<b>% of the Total</b>
Under one year	14,980,144	100%	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
<b>Total</b>	<b>14,980,144</b>	<b>100%</b>	<b>-</b>	<b>-</b>

16. Cash generated from operations

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Surplus (deficit) for the year before tax	(223,772,447)	11,550,590
<b>Adjusted for:</b>		
Depreciation	16,770,295	10,478,653
Amortisation	-	-
Gains losses on disposal of assets	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	53,129,927	(172,223,069)
Increase in payables	225,029,862	135,699,528
<b>Net cash flow from operating activities</b>	<b>71,157,637</b>	<b>24,401,460</b>

*(The total of this statement should tie to the cash flow section on net cash flows from operating activities)*

**17. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Transfers from related parties'	421,498,670	426,594,839
Transfers to related parties	4,000,000	-

Transfers to related parties are in regards to Mama Ngina Children Home Shs. 2,500,000 and borrowing by the County Executive Shs. 1,500,000

**c) Key management remuneration**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Board Members	-	-
Key Management Compensation	25,154,355	32,361,075
<b>Total</b>	<b>25,154,355</b>	<b>32,361,075</b>

**d) Due from related parties**

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Due from County Government	122,091,890	175,277,817
Due from County Assembly	-	-
<b>Total</b>	<b>122,091,890</b>	<b>175,277,817</b>

## 18. Financial risk management

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

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

### I. Credit risk

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience, and other factors. Individual risk limits are set based on internal or external assessments in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the City's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the City's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2025</b>				
Receivables from No-exchange transactions	-	122,091,890	122,091,890	-
<b>Total</b>	-	<b>122,091,890</b>	<b>122,091,890</b>	-
<b>At 30 June 2024</b>				
Receivables from non-exchange transactions		175,277,817	175,277,817	-
<b>Total</b>		<b>175,277,817</b>	<b>175,277,817</b>	-

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

The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the City has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The City has significant concentration of credit risk on amounts due from *The County Government*.

The City Board sets policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

## II. Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30<sup>th</sup> June 2025</b>				
Trade payables	-	-	755,272,109	755,272,109
<b>Total</b>	-	-	<b>755,272,109</b>	<b>755,272,109</b>
<b>At 30 June 2024</b>				
Trade payables			323,313,855	323,313,855
<b>Total</b>	-	-	<b>323,313,855</b>	<b>323,313,855</b>

### **III. Market risk**

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

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

### **IV. Interest rate risk**

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

#### **Management of interest rate risk**

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

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**V. Capital risk management.**

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

Description	2024/2025	2023/2024
	Kshs.	Kshs.
Revaluation reserve	-	-
Capital Development Grants City	493,647,447	330,871,187
Accumulated surplus	(482,994,949)	(273,218,281)
<b>Total Funds</b>	<b>10,662,498</b>	<b>57,652,906</b>
Total borrowings	-	-
Less: cash and bank balances	(15,136,386)	(154,638)
Net debt(excess cash and cash equivalents)	(15,136,386)	(154,638)
<b>Gearing</b>	<b>%</b>	<b>%</b>

20. Appendices

Appendix 1. Progress on Follow up of Auditors Recommendations.

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unsupported Staff Cost	In prior financial year and FY 2024/2025 salaries were centrally processed by the executive. However, in the subsequent FY 2025/2026 the department has been granted authority for transfer of personnel emoluments (PE) which shall further be delinked from the executive payroll system. Moreover, the autonomy process has been supported by the gazette of transfer of functions as per gazette Notice No. 71 dated 24 <sup>th</sup> May 2024	Resolved	To be resolved in the year 2025/2026

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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)
2	Variiances under Transfer from the County Government	City of Kisumu received Kshs. 426,594,893 as transfers to city and payments made on behalf of the entity as tabulated hereunder and which is also reflected in Note 6(a) of the amended financial statements.	Resolved	
3	Unsupported property, plant and equipment	<p>We acknowledge the fact that original files amounting to Shs. 29,040,000 were not availed for review at the time of audit. However, we later provided them for audit review</p> <p>The said projects that were omitted in the year 2022/2023 have been accounted for under note 15 of the 2023/2024 financial statements</p> <p>The five projects are evidenced in the PPE movement schedule under Note 15 in the FS</p>	Resolved	
4.1	Construction of the Non-motorized	-The original contract sum was awarded at 659,065,834.50. Due to financial	Resolved	

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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)
	Transport System Phase 2	<p>challenges the project scope was revised to 513,796,700.07(certified works and paid) forming 78% of the original contract.</p> <p>The balance of 43,742,219.00 has fully been paid by the county executive</p> <p>-Management will prioritize the implementation of the de-scoped works under KUSP phase 2</p> <p>-Management has undertaken measures to enhance project management and ensure timely closure of the project while complying with relevant legal and operational requirements through contract addendum.</p>		

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.2	Improvement of Jomo Kenyatta Sports Ground	<p>-The original contract sum was awarded at 111,328,291 Due to financial challenges the project scope was revised to 93,832,288 (certified works and paid with a balance of 4,709,614.11) forming 84% of the original contract.</p> <p>Management will prioritize the implementation of the de-scoped works under the next KUSP phase</p> <p>Management has undertaken measures to enhance project management and ensure timely closure of the project while complying with relevant legal and operational requirements through contract addendum</p>	Resolved	
4.3	Upgrade of Jamhuri Gardens, Market Park,	The original contract sum was awarded at 111,756,241.74. Due to financial challenges the project scope was revised to 105,959,233.85 (certified works and	Resolved	

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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)
	Botanical Garden and Streetscaping	<p>paid with a balance of 5,192,034.44 forming 95% of the original contract.</p> <p>Management will prioritize the implementation of the de-scoped works under KUSP phase 2</p> <p>Management has undertaken measures to enhance project management and ensure timely closure of the project while complying with relevant legal and operational requirements through contract addendum</p>		
4.4	Construction of Nyamasaria Bus Park	<p>The project has achieved 100% completion status. However, the project is not in use because of an ongoing court case number ELCEP PET.E001 OF 2024</p> <p>The contract sum of 99,883,902 (as per attached original contract annexed 4(xi)</p>	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		was revised to 102,600,473.10 because of additional works		
4.5	Construction of Kaloleni Community Centre	<p>The original contract sum was awarded at 151,468,960.09. Due to financial challenges the project scope was revised to 85,272,222.76 (certified works and paid with a balance of 8,557,113.91 forming 56% of the original contract</p> <p>Management will prioritize the remaining works under county revenue fund.</p> <p>Management has undertaken measures to enhance project management and ensure timely closure of the project while complying with relevant legal and operational requirements through contract addendum</p>	Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Due to financial constraints by City of Kisumu, the contractor could not deliver as per the contract agreement.</p> <p>We have provided a breakdown of the remaining works.</p>		
	Budgetary control and performance	<p>The underfunding is attributed to unrealized own source revenue and delayed release of equitable share by the National Treasury both impacting on the overall cash inflows to the county government and its entities with multiplier effect on budget implementation and roll out of projects by the county and its entities. The City Board is expected to roll out projects when there is high probability of cash inflows to minimize accumulation of pending bills.</p>		

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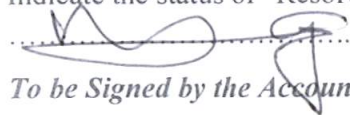
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Unresolved Prior Year Matters	The City affirms its commitment to addressing this issue in compliance with Section 165(1) of the Public Finance Management (County Government) Regulations, 2015.		
1	Engagement of Legal Services without Approval	The management acknowledges that it did not engage the county executive committee in procuring the services of a consultant for provision of legal service given that City of Kisumu has its legal department headed by City Attorney. However, the recommendation was noted and we are now seeking authority as per subsection (2) of the Act		
2	Non-Compliance with Gender and Ethnicity Rule	We positively acknowledge the observation made by your team. However, the City management is working on the effort to ensure compliance with the set limit 30% in subsequent years in compliance with the law		
3	Non-Implementation of	The City affirms its commitment to addressing this issue in compliance		

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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)
	Audit Recommendations	with Section 165(1) of the Public Finance Management (County Government) Regulations, 2015.		
	Lack of Internal Audit Function and Audit Committee	<p>The City acknowledges the audit finding regarding the absence of an Audit and Risk Committee during the period under review and recognizes its critical role in ensuring effective oversight of risk management, financial reporting, and internal audit functions at the time of this exercise.</p> <p>However, the process of having Internal Audit Committee in place has since completed and gazetted on Gazette Notice No.1161, dated 1th January, 2025.</p> <p>The Internal Audit Function is in existence and the unit headed by Head of internal Audit in the period under review as per staff establishment</p>		

***Guidance Notes:***

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

A handwritten signature in black ink, consisting of several loops and a vertical stroke, is written over a horizontal dotted line.

*To be Signed by the Accounting officer of the Entity*

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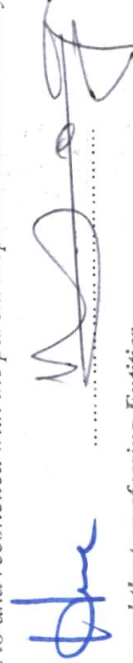
Appendix 2: Inter-Entity Transfers

CITY/MUNICIPALITY NAME: CITY OF KISUMU				
Breakdown of Transfers from the County Executive of Kisumu County				
FY 2024/2025				
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs.)	Indicate the FY to which the amounts relate
		15 <sup>th</sup> October 2024	2,000,000	2024/2025
		26 <sup>th</sup> November 2024	6,000,000	2024/2025
		8 <sup>th</sup> January 2025	6,412,000	2024/2025
		24 <sup>th</sup> April 2025	6,000,000	2024/2025
		15 <sup>th</sup> May 2025	3,250,000	2024/2025
		24 <sup>th</sup> June 2025	210,000	2024/2025
		25 <sup>th</sup> June 2025	304,710	2024/2025
		25 <sup>th</sup> June 2025	11,237,991	2024/2025
		25 <sup>th</sup> June 2025	13,145,873	2024/2025
		30 <sup>th</sup> June 2025	4,500,000	2024/2025
		9 <sup>th</sup> July 2025	15,848,088	2024/2025
		9 <sup>th</sup> July 2025	502,500	2024/2025
		9 <sup>th</sup> July 2025	1,998,400	2024/2025
		15 <sup>th</sup> July 2025	1,778,886	2024/2025
		<b>Total</b>	<b>73,188,448</b>	

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CITY/MUNICIPALITY NAME: CITY OF KISUMU			
	Bank Statement Date	Amount (K.shs.)	Indicate the FY to which the amounts relate
b. Development Grants	23 <sup>rd</sup> April 2025	24,910,847	2024/2025
	24 <sup>th</sup> June 2025	63,900,719	2024/2025
	3 <sup>rd</sup> July 2025	32,892,908	2024/2025
	9 <sup>th</sup> July 2025	19,361,685	2024/2025
	9 <sup>th</sup> July 2025	15,010,781	2024/2025
	<b>Total</b>	<b>156,076,940</b>	
c. Direct Payments	Bank Statement Date	Amount (K.shs.)	Indicate the FY to which the amounts relate
		192,233,282	2024/2025
	<b>Total</b>	<b>192,233,282</b>	

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

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Signed by the Head of Accounts of the Entity and the transferring Entities