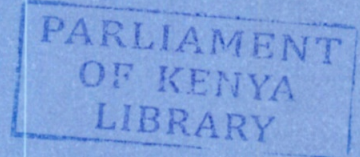


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

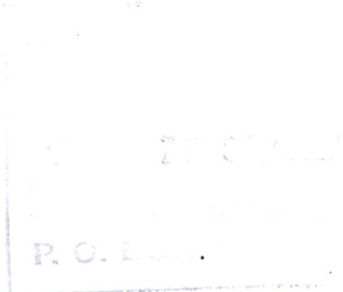
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COMMITTEE	FINANCE
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**COUNTY REVENUE FUND**

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

**COUNTY GOVERNMENT OF KISUMU**



---

**COUNTY REVENUE FUND**

*County Government of Kisumu*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2023**

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

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## 1. Acronyms and glossary of terms

### *a) Acronyms*

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue
Kshs	Kenya Shillings
DANIDA	Danish International Development Agency
AFD	Agence Francaise De Development
SIDA	Swedish International Development Agency
EU	European Union
PIC	Public Investments Committee
PAC	Public Accounts Committee

### *b) glossary of terms*

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

## 2. Key Entity Information and Management

### a) Background information

Article 207 of the Constitution of Kenya provides for the establishment of the County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government.

### b) Key Management Team

The County Revenue Funds day-to-day management is under the following key organs:

No.	Designation	Name
1.	CECM Finance and Economic planning	Mr. George Okong'o
2.	C.O Finance	Mr. Paul Njenga Waweru
3.	Director Accounting Services/Finance	CPA. Martin Opiyo

### c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 20xx and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	CECM Finance and Economic Planning	Mr. George Okong'o
2.	Accounting Officer in charge of Finance	Mr. Paul Njenga Waweru
3.	Director Accounting Services/Finance	CPA. Martin Opiyo

### d) Fiduciary Oversight Arrangements

- *Audit and Finance committee activities*
- *Senate Committee Activities*
- *County Assembly*
- *Development partner oversight activities*
- *Controller of Budget*
- *Office of the Auditor General*

- **Audit and finance committee activities**

*The Internal Audit Department of the County Government of Kisumu ensures that the internal controls exist and are adhered to. The Internal Audit reports directly to the County Audit Committee.*

*The county Audit committee provides an oversight role to the county in line with section -155 1(a) of the PFMA 2012.*

- **Parliamentary committee activities**

*The county executive executes its mandate through the various departments headed by the various CEC Members who report to the county Assembly oversight committee from time to time, the committees include:*

*Budget committee,*

*PIC & PAC,*

*Education committee among others. (PFM Act 2012-2(b), 104(0))*

- **County Assembly**

*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 in accordance with article 207 of the Constitution of Kenya; it approves the borrowings of the County Government in accordance with article 212 of the Constitution of Kenya, 2010;*

- **Development partner oversight activities**

*During the financial year under review the county partnered with several Institutions in order to realize its objectives, these included the following entities:*

*DANIDA*

*World Bank*

*AFD*

*SIDA*

*EU*

***Controller of Budget***

*Office of the controller of Budget is an independent office established under article 228 of the constitution of Kenya, it serves the following roles:*

- Oversight,*
- Controlling role,*
- Reporting role,*
- Advisory role,*
- Investigation role,*
- Arbitration / mediation role and,*
- Public sensitization role.*

**e) County Headquarters**

County Government of Kisumu

P.O. Box 2738 – 40100,

KISUMU.

**f) County Contacts**

Email: [treasury@kisumu.go.ke](mailto:treasury@kisumu.go.ke)

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

Prosperity House 2<sup>nd</sup> floor

**g) County Bankers**

Central Bank of Kenya

Haile Selassie Avenue

P.O. Box 60000

City Square 00200

NAIROBI, KENYA

**h) Independent Auditor**

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

NAIROBI, KENYA

**i) Principal Legal Adviser**

The County Attorney

Omollo -Agar Road

P.O. Box 2738

KISUMU, KENYA

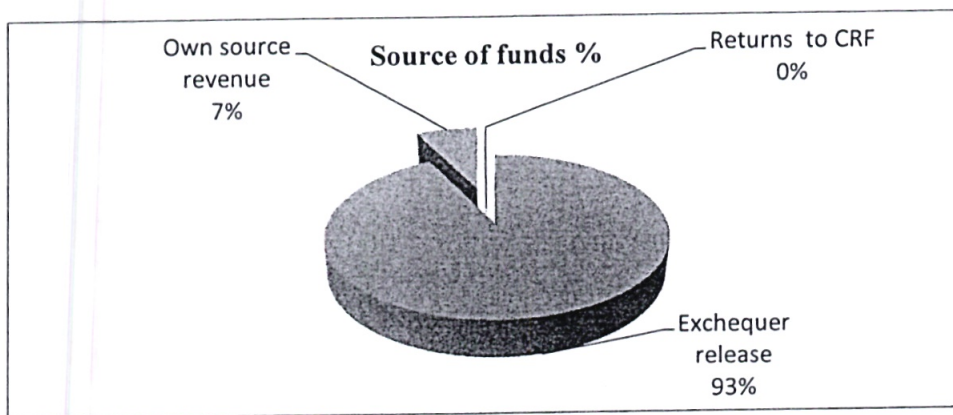
**j) County Attorney**



### 3. Statement by the CECM Finance

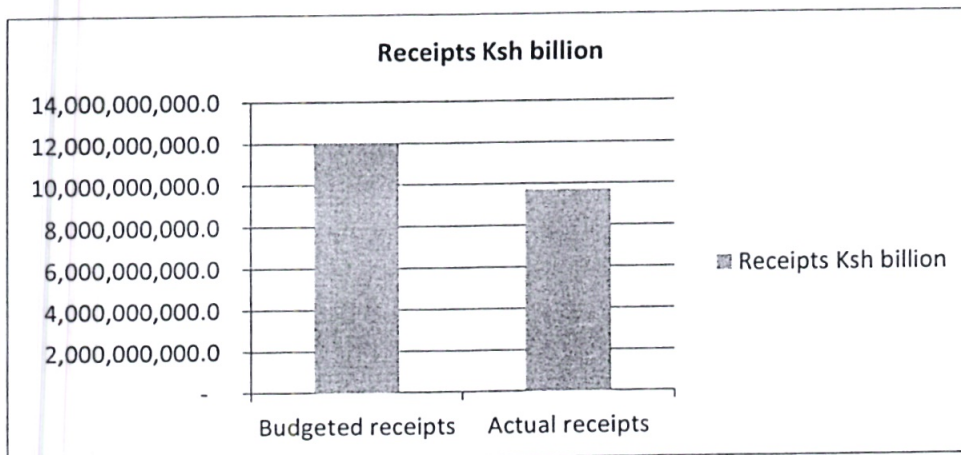
This report presents the performance of Kisumu County Revenue fund during the financial year 2022/2023. In compliance with the PFM Act sec 109 the County ensured all money raised or received by or on behalf of the County was paid into the County Revenue Fund, that all money authorized to be paid by the County Government or any of its entities for a public purpose was paid from the account without due delay and that the County Treasury obtained written approval of the Controller of Budget before withdrawing money from the Fund.

#### The sources of funds



The County's main source of funds is from exchequer at 92.7% with Own source revenue contributing 7.1% of receipts in the Revenue account.

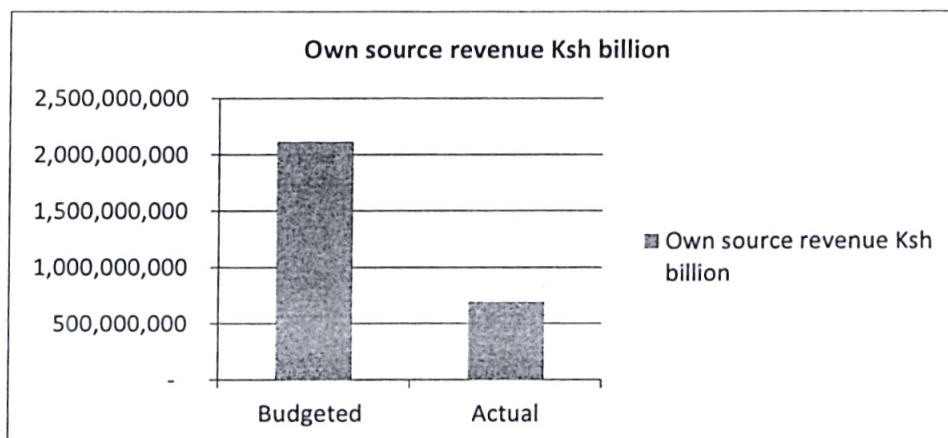
#### Resource envelop



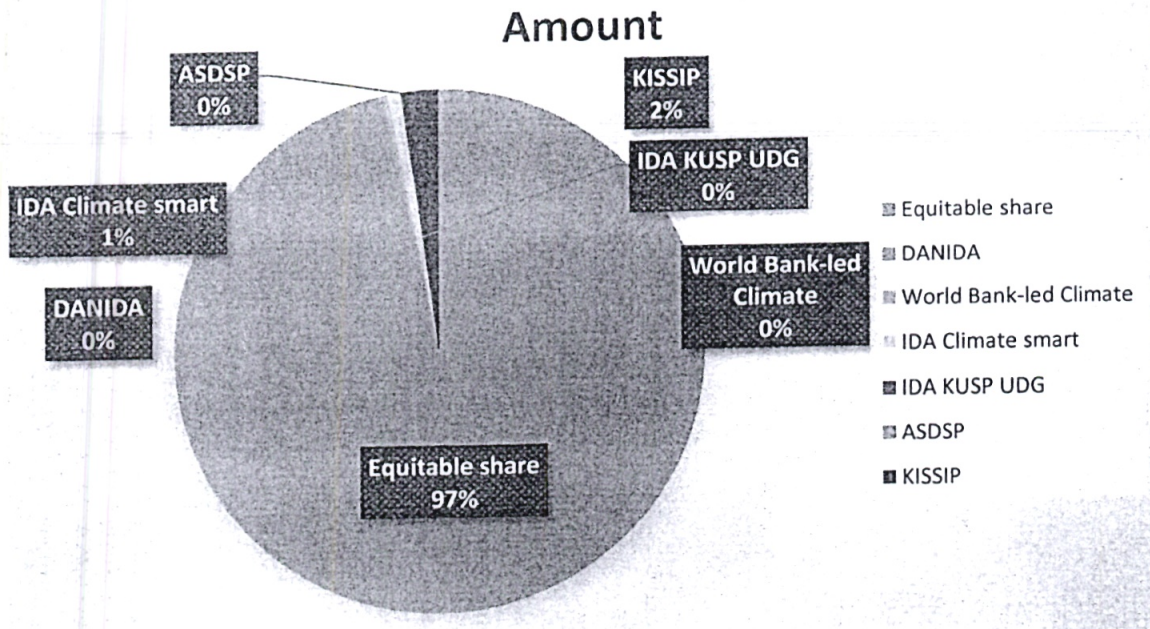
County Government of Kisumu  
 County Revenue Fund  
 For the financial year ended 30<sup>th</sup> June, 2023

	Budget	Actual	Percentage
Exchequer	10,293,256,665	8,989,400,165	91%
On Source Revenue	2,118,837,525	659,113,273	31%
Returned CRF issues	20,000,000	7,392,674	36%
<b>Total</b>	<b>12,045,283,282</b>	<b>9,691,906,112</b>	<b>80%</b>

During the year ended 30<sup>th</sup> June 2023, the County budgeted receipts were Kshs 12,045,283,582 billion against actual receipts of Kshs 9,691,906,112.

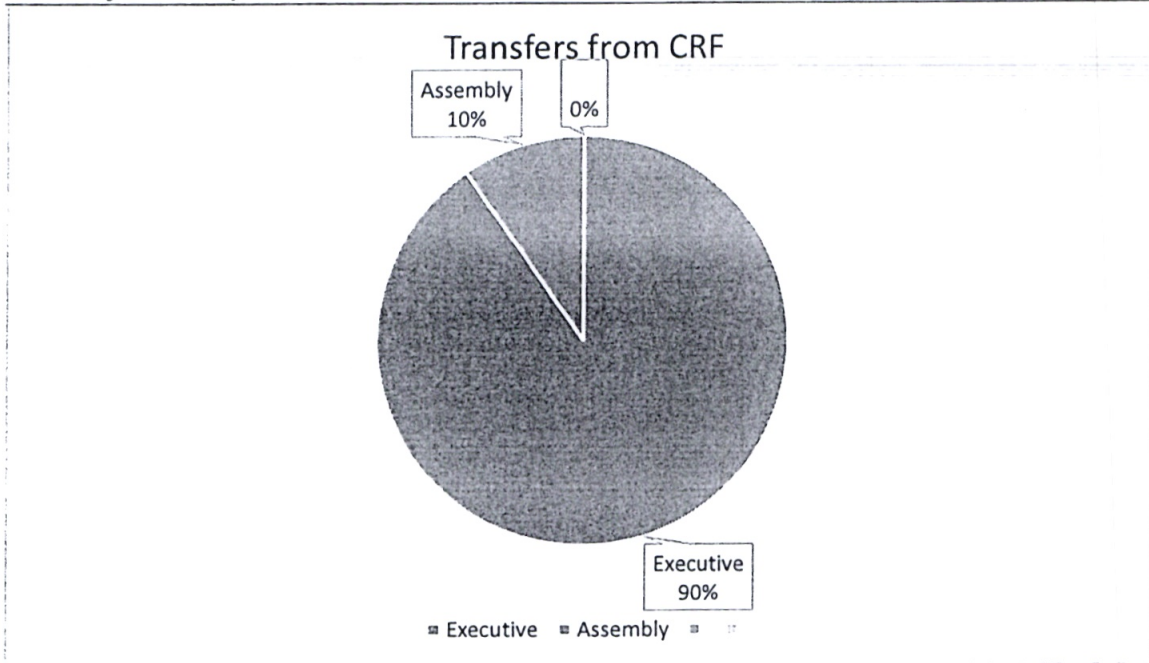


The County banked in the CRF Account a total of Kshs 695,113,273 as own source revenue against a projection of Kshs 2,118,837,525.



**Disbursements from County Revenue fund**

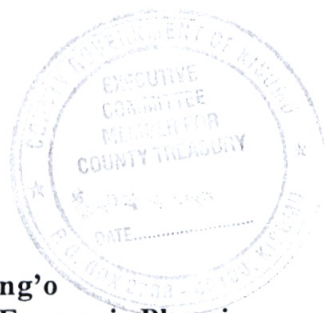
During the financial year, the county Transfers from CRF totalised to Kshs 9,403,320,968 against a budget of Ksh 12,045,283,582. The County Executive received Ksh 8,533,526,659 with the County Assembly receiving Ksh 869,794,309.



In conclusion, the County undertakes to enhance its own source revenue to generate more funds for its future programs to reduce reliance on National Government by: developing and implementing a robust revenue enhancement plan with very impressive results being witnessed over the last one month.

All disbursement to Departments and the Assembly shall be made in a timely manner to support their operations.

**George Omondi Okong'o**  
**CECM Finance and Economic Planning**  
**COUNTY GOVERNMENT OF KISUMU**



#### 4. Management Discussion and Analysis

##### Overview of CRF performance in FY 2017-2023

##### Receipts

In the last five years the County Revenue fund has had varied performance in terms of expectations and realization of receipts. This is shown below

Financial Year	Budgeted	Actual	Variation	Realization %
17/18	9,214,720,064	7,110,477,654	2,104,242,077	77%
18/19	11,139,973,171	8,920,654,818	2,219,318,353	80%
19/20	11,499,036,874	8,733,502,114	2,765,534,761	76%
20/21	11,968,434,257	10,176,279,174	1,792,155,083	85%
21/22	12,177,852,473	8,947,393,994	1,437,319,553	73%
22/23	12,045,283,582	9,691,906,112	2,353,377,470	80%

The estimated receipts have gradually increased from Ksh 9 billion to Ksh 12 billion over the years while actuals have fluctuated from Ksh 7 billion to Ksh 10 billion then to Ksh 9.6 billion. The best performance was in Fy 2020/2021 when the actual revenue realized was 85% of estimated receipts. This good performance was attributed to receipts of previous year (exchequer) released during the year. The worst performance was in FY 21/22 with 73% of revenue realised. This was attributed to partial receipt of exchequers from the National treasury and under collection of own source revenue due to the following factors:

- Electioneering period – High political temperatures in some regions within the county,
- Hard Economic situations led to closure of some businesses,
- Restructuring or moving businesses in the central business district within Kisumu city among other factors.

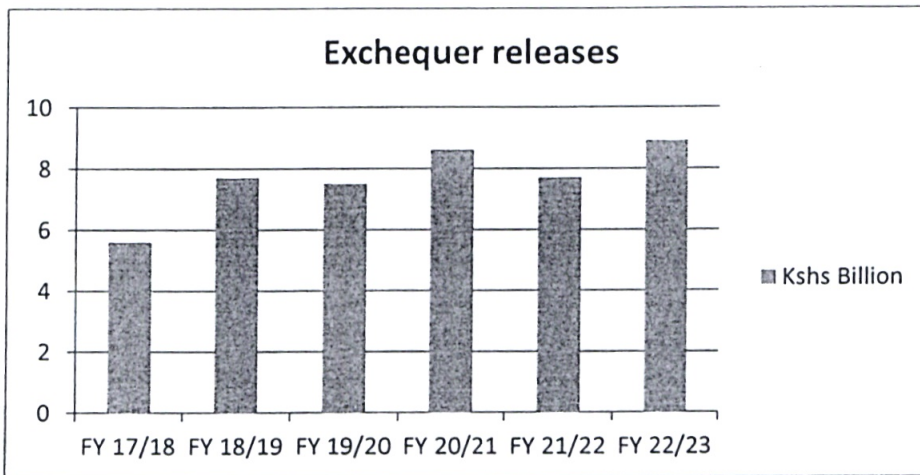
To address the above mentioned factors the following factors have been put in place:

- Introduction of the Revenue Board which will be tasked with maximization of revenue collection,
- Procurement of a new revenue collection management systems and,
- Alignment of human Resource structures for better revenue collection.

##### Composition of receipts

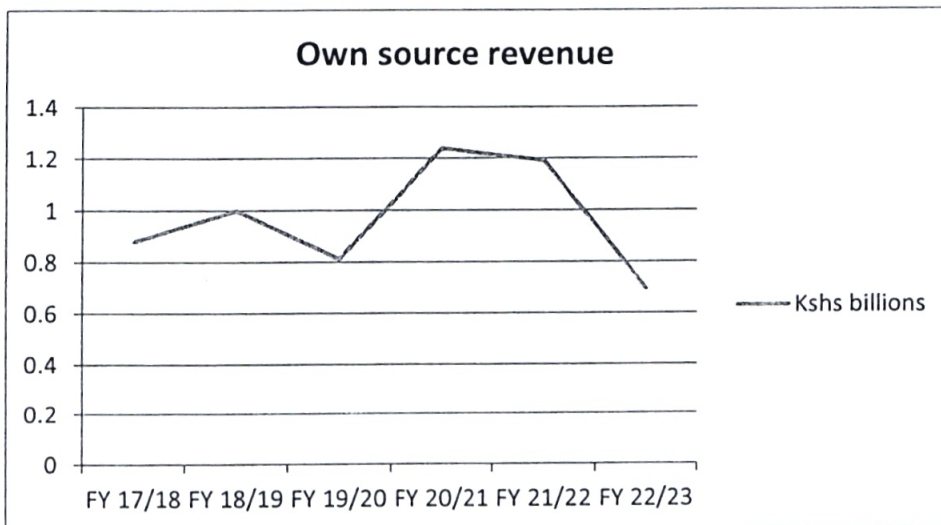
The County Revenue Fund received receipts from exchequer, own source revenue and conditional grants. During the past six years the performance of these revenues have been as tabulated below:

**Exchequer Releases from FY 2017-2023**



There has been a gradual increase of receipts from the Exchequer from Ksh 5.6 billion during the FY2017/2018/ to Kshs 8.9 billion in the FY 2022/2023 This can be attributed mainly to increase in equitable share. The year 22/23 realized the highest receipts of Ksh 8.9 billion compared to Kshs 8.6 billion realised during the FY2020/2021.

**Own source revenue**



## Payments

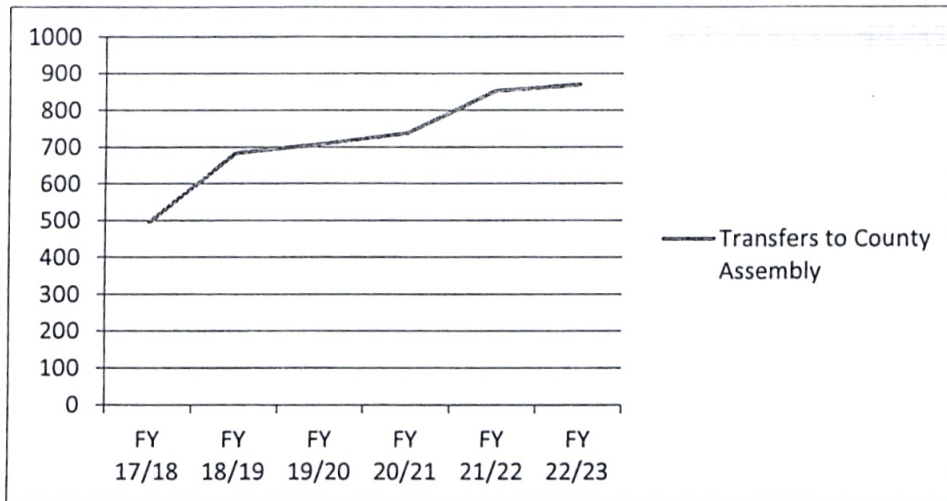
### Absorption of Funds by the Executive

	Budgeted estimates	Actual transfer to County Executive	Variance	% realization
FY 17/18	9,214,720,064	6,146,065,496	3,068,654,568	66%
FY 18/19	11,139,973,371	9,069,941,945	2,070,031,426	81%
FY 19/20	11,499,036,874	8,204,175,984	3,294,860,890	71%
FY 20/21	11,968,434,257	7,585,461,416	4,382,972,841	63%
FY21/22	11,248,535,017	8,404,407,350	2,844,127,667	75%
FY 22/23	11,111,397,362	8,146,027,379	2,965,369,983	73%

The amount of transfers made from the County Revenue Fund relies on receipts from Exchequer, own source revenue and transfers from government agencies. Shortfalls have a negative impact on utilization of funds. This has been the case for the all financial years under review. The highest utilization of funds was in FY 18/19 (81%). This was due to timely receipt of equitable share revenue and transfer from government agencies. The lowest absorption rate was during the FY20/21(63%). This was due to unrealized budgetary receipts from domestic and foreign grants that had a shortfall of Kshs 1.4 billion. Shortfall of own source revenue has been a common occurrence in all the financial years due to a number of reasons including non-implementation of some sections of the finance bill due to litigations, disruptions arising from relocations of traders among other factors. As a way of dealing with these bottlenecks, the County have developed and implemented a robust revenue enhancement plan with very impressive results being witnessed over the last one month. This has had a negative impact on planned development programs.

### Transfers to County Assembly

County Government of Kisumu  
County Revenue Fund  
For the financial year ended 30<sup>th</sup> June, 2023



Transfers to the County Assembly have gradually increased from Kshs 495 million in FY 17/18 to Kshs 869 million in FY 22/23. This growth has been realized due to increased allocation to County Assemblies by legislation. These transfers have in some cases been affected by late disbursement of funds from National Treasury during the financial years.

In conclusion, the County commits to improve on meeting its budgetary targets to realize its objectives by enhancing own source revenue and drawing realistic budgets. The National Treasury on the other hand should support the County by releasing funds in a timely manner for proper cash flow plans management.

**Paul Njenga Waweru**  
**CHIEF OFFICER FINANCE**



## **5. Overview of the County Revenue Fund Operations**

### **Background**

Article 207 of the Constitution of Kenya provides for the establishment of a County Revenue Fund into which shall be paid all money raised or received by or on behalf of the County Government. As outlined under Section 109 of the Public Finance Management (PFM) Act, 2012 the County Treasury is responsible for administration of the County Revenue Fund. The County Revenue Fund is maintained as the County Exchequer Account at the Central Bank of Kenya.

### **Receipts into the County Revenue Fund**

County Government revenue is received through appointed County Receiver of Revenue by the County Executive Committee Member for finance to the County Treasury pursuant to Section 157 (1) of the PFM Act 2012. The Receipts include Exchequer releases, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Revenue Fund Account.

### **Transfers from the County Revenue Fund**

The withdrawal of funds from the County Revenue Fund is authorized by the County Appropriation Act. The County Treasury is required to seek the Controller of Budget's approval for withdrawal of funds from the County Revenue Fund to the County Executive and County Assembly bank accounts. These entities are responsible for the administration of their respective approved budgets.

### **Financial Reporting requirements**

The Accounting Officer for the County Revenue Fund is required to prepare and submit the financial statements to the Auditor-General and a copy to the Controller of Budget, and the Commission on Revenue Allocation.

This statement therefore covers the operations of the County Exchequer Account for the financial year ended 30<sup>th</sup> June, 2023



**George Omondi Okong'o**  
**CEC Member – Finance and Economic Planning**  
**County Government Of Kisumu**



## 6. Statement of Management Responsibility

Article 207 of the Constitution, Sections 109 and 167 of the Public Finance Management Act, 2012 requires a County Revenue Fund established by the Constitution, an Act of Parliament or county legislation to prepare financial statements for the Fund for each financial year in a form prescribed by the Public Sector Accounting Standards Board and submit to the Auditor General and a copy to the Commission on Revenue Allocation and the Controller of Budget.

The Accounting Officer at the County Treasury is responsible for the preparation and presentation of the County Revenue Fund financial statements, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year ended on *June 30th, 2023*. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the County Revenue Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the County Revenue Fund; (v) Selecting and applying appropriate accounting policies; and (iv) Making accounting estimates that are reasonable in the circumstances.

The Accounting Officer accepts responsibility for the County Revenue Fund's financial statements, which have been prepared on the Cash Basis Method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the County Revenue Fund's financial statements give a true and fair view of the state of the County Revenue Fund's transactions during the financial year ended *June 30, 2023* and of its financial position as at that date.

The Accounting Officer further confirms the completeness of the accounting records maintained for the County Revenue Fund which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer confirms that the County Revenue Fund has complied fully with applicable Government Regulations and the terms of external financing covenants (*where applicable*). Further, Accounting Officer confirms that the County Revenue Fund's Financial Statements have been prepared in a form that complies with relevant Accounting Standards prescribed by the Public Sector Accounting Standards Board of Kenya.

### Approval of the Financial Statements

The County Revenue Fund's financial statements were approved and signed on 22nd September, 2023

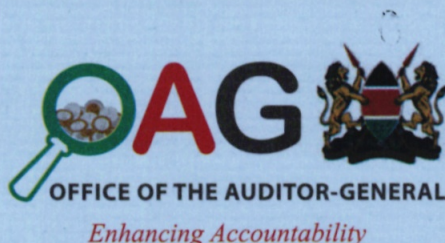


Name: Paul Njenga Waweru  
Chief Officer - Finance

COUNTY GOVERNMENT OF KISUMU

# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON COUNTY REVENUE FUND FOR THE YEAR ENDED 30 JUNE, 2023 – COUNTY GOVERNMENT OF KISUMU**

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### **PREAMBLE**

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

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

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of the County Revenue Fund set out on pages 1 to 10, which comprise of the statement of receipts and payments 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

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*Report of the Auditor-General on County Revenue Fund for the year ended 30 June, 2023 – County Government of Kisumu*

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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the statement of receipts and payments of the County Revenue Fund for the year ended 30 June, 2023 and statement of comparison of budget and actual amounts for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the County Governments Act, 2012.

## **Basis for Qualified Opinion**

### **1. Unreconciled Variances in Own Source Revenue**

The statement of receipts and payments and as disclosed in Note 2 to the financial statements reflects own source revenue amount of Kshs.695,113,273. However, comparison of the reported balances with the receiver of revenue financial statements resulted in unreconciled variances as tabulated below:

<b>Revenue Stream</b>	<b>Amount as per County Revenue Fund (Kshs.)</b>	<b>Amount as per Receiver of Revenue (Kshs.)</b>	<b>Variance (Kshs.)</b>
Parking Fees	99,445,054	99,417,554	(27,500)
Hire of County Assets	-	3,711,768	3,711,768
Conservancy Administration	-	586,001	586,001
Park Fees	-	2,546,840	2,546,840
Other Fines, Penalties, and Forfeiture Fees	10,637,259	27,500	(10,609,759)
Miscellaneous Receipts	-	26,764,620	26,764,620

In the circumstances, the accuracy and completeness of own source revenue of Kshs.695,113,273 could not be confirmed.

### **2. Unreconciled Fund Balance**

The Kisumu County Revenue Fund bank account reflects an amount of Kshs.234,335,252 while the county revenue fund financial statements reflect a fund balance of Kshs.2,021,612,102. The difference between the two balances have not been explained or reconciled.

In the circumstances, the accuracy to the statements of receipts and payments as at 30 June, 2023 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of County Revenue Fund Management-County Government of Kisumu in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I

believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

### **Other Matter**

#### **1. Delay of Exchequer Releases**

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects transfers to County Executive totalling to Kshs.8,533,526,659 which, includes an amount of Kshs.594,888,816 received by the County Executive from The National Treasury towards the end of the month of June, 2023. In addition, other exchequer releases amounting to Kshs.1,389,758,573 were disbursed in the month of July, 2023 for the budgeted funds for 2022/2023 financial year.

In the circumstances, the late exchequer releases had adverse effects on the implementation of the planned activities and projects by the County Executive.

#### **2. Progress on Follow Up of Prior Year Auditor's Recommendations**

Appendix I to the financial statements on progress on follow up of prior years' auditor's recommendations has not been updated to include the status of audit issues raised in financial year 2021/2022. The reporting and disclosure requirements prescribed by the Public Sector Accounting Standards Board have therefore not been met. Further, Management has not provided satisfactory explanation for the delay in resolving the issues.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Transfers to the County Executive**

The statement of receipts and payments and as disclosed in Note 4 to the financial statements reflects an amount of Kshs.8,533,526,659 in respect of transfers to County Executive. Included in the amount are transfers from CRF totalling Kshs.1,380,291,492 representing recurrent and development withdrawals as at 30 June, 2023. However, there

was no documentary evidence provided to support authorization of requisitions from the County Government by the Controller of Budget (CoB).

In the circumstances, the accuracy and regularity of transfers to the County Executive for the year could not be confirmed.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

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 Management and those Charged with Governance**

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

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

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

Those charged with governance are responsible for overseeing the Fund'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**

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

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

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

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

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



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

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

**Nairobi**

**24 January, 2024**

8. Statement of Receipts and Payments for the Year Ended 30<sup>th</sup> June, 2023.

		2022/2023	2021/2022
	Notes	Kshs.	Kshs.
<b>Receipts</b>			
Exchequer releases	1	8,989,400,165	7,658,076,861
Transfers from other government agencies		0	0
Other grants			
Proceeds from Domestic Borrowing			
Proceeds from Foreign Borrowing			
Own Source Revenue	2	695,113,273	1,199,145,037
Return to CRF issues	3	7,372,674	1,034,742
<b>Total Receipts</b>		<b>9,691,906,112</b>	<b>8,858,256,640</b>
<b>Payments</b>			
Transfers to County Executive	4	8,533,526,659	8,404,407,350
Transfers to County Assembly	5	869,794,309	852,746,678
Other Transfers			
<b>Total Payments</b>		<b>9,403,320,968</b>	<b>9,257,154,028</b>
Net increase/ (decrease) in cash for the year		288,585,144	(398,897,388)
Add Opening fund balance b/f	6	1,733,026,958	2,131,924,346
<b>Closing Fund balance for the year</b>	6	<b>2,021,612,102</b>	<b>1,733,026,958</b>



Name: Paul Njenga Waweru  
 Chief Officer - Finance



Name: CPA. Martin Opiyo  
 Director Finance  
 ICPAK Member No.15141  
 Date: 30<sup>th</sup> September, 2023

**9. Statement of Comparison of Budget Actual Amounts for the Year Ended 30<sup>th</sup> June, 2023**

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	a	B	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Exchequer releases	10,293,256,665	(386,810,608)	9,906,446,057	8,989,400,165	917,045,892	91
Transfers from other government agencies						
Other conditional grants						
Proceeds from Domestic Borrowing						
Proceeds from Foreign Borrowing						
Own Source Revenue	1,762,226,587	356,610,938	2,118,837,525	695,113,273	1,423,724,252	33
Return to CRF issues	20,000,000		20,000,000	7,392,674	12,607,326	36
<b>Total Receipts</b>	<b>12,035,483,252</b>	<b>9,800,330</b>	<b>12,045,283,582</b>	<b>9,691,906,112</b>	<b>2,353,377,470</b>	<b>80</b>
<b>Payments</b>						
Transfers to County Executive	11,117,959,130	(6,561,768)	11,111,397,362	8,533,526,659	2,577,870,703	76
Transfers to County Assembly	917,524,122	16,362,098	933,886,220	869,794,309	64,091,911	93
Others						
<b>Total Payments</b>	<b>12,035,483,252</b>	<b>9,800,330</b>	<b>12,045,283,582</b>	<b>9,403,320,968</b>	<b>2,641,962,614</b>	<b>78</b>
<b>Balance</b>						

*The County was unable to achieve both its OSR collection and transfers to the Executive due to a number of factors mainly:-*

- (a). Litigations leading to non-implementation of sections of the finance Bill,*
- (b). Trade disruptions arising from traders' relocations and*
- (c). Late disbursement of funds from the National Treasury*

## **10. Significant Accounting Policies**

### **a) Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the Cash-Basis of accounting, as prescribed by the PSASB and Section 167 of the PFM Act 2012.

The Financial Statements are presented in Kenya Shillings, which is the functional and reporting currency of the Fund, all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

### **b) Reporting entity**

This report relates to financial operations of the County Revenue Fund domiciled at the County Treasury and bank account maintained at Central Bank of Kenya.

### **c) Receipts**

Receipts include funds deposited in the County Revenue Fund pursuant to Article 207 of the Constitution of Kenya and Section 109 of the PFM Act 2012.

The receipts collected include Exchequer releases, own source revenue, grants from development partners, proceeds from domestic and foreign borrowings, and other miscellaneous deposits in the County Exchequer Account.

Transfers from the exchequer and own source revenue are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

### **d) Payments**

Payments are based on the County Government Appropriation Act. The exchequer requests are received by County Treasury, which rationalizes the requests based on the available balance, consolidates the requests and forwards them to Controller of Budget (COB) for approval. Once the approval of COB is obtained, the funds are released to the County Assembly and County Executive operational accounts appropriately.

**Significant Accounting Policies (Continued)**

**e) Fund Balances**

Fund balances comprise bank balances in County Exchequer Account held at Central Bank of Kenya.

**f) Restriction on Cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

**Notes to the Financial Statements**

**1. Exchequer releases**

The following is an analysis by revenue type of the receipts collected in the County Revenue Fund:

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Equitable Share (a)	8,668,230,382	7,384,048,098
World Bank -Transforming Health Systems for Universal Care Project (THUSP)-Ministry of Health		51,445,867
World Bank Kenya Climate Smart Agriculture (KCSAP) -State Department of Crop Development	70,007,432	160,534,810
DANIDA Grant -Primary Health care in devolved context -Ministry of Health	21,991,500	7,573,500
SIDA Agricultural Sector Development Support Programme II (ASDSP II)-State Department of Crop Development	4,830,936	22,798,410
Word Bank-Kenya Informal settlement improvement project (KISIP 11)- State Department of Housing & Urban Development	200,000,000	
EU Grant (Instruments for Devolution Advice and Support- (IDEAS)- State Department of Devolution		31,676,176
(IDA) World Bank Credit-Financing locally Led climate programme (FFLoCA)1 CCIS Grant State Department of .....	22,000,000	
IDA (World Bank) Kusp (UDG)	2,339,915	
<b>Total (d=a+b+c)</b>	<b>8,989,400,165</b>	<b>7,658,076,861</b>

County Government of Kisumu  
 County Revenue Fund  
 For the financial year ended 30<sup>th</sup> June, 2023

**2. Own Source Revenue**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Cess	14,036,005	12,126,727
Land rate	149,897,898	97,322,161
Single/Business permits	164,156,629	174,027,421
Property rent	20,039,683	18,176,177
Parking fees	99,445,054	159,818,700
Market fees	51,638,574	59,712,910
Advertising	148,608,083	123,654,332
Hospital fees	-	452,052,685
Public health service fees	4,810,842	4,271,630
Physical planning and development	31,843,246	26,841,190
Hire of County Assets	-	906,200
Conservancy administration	-	1,323,590
Administration control fees and charges	-	18,500,000
Park fees	-	0
Proceeds from sale of assets	-	222,801
Other fines, penalties, and forfeiture fees	10,637,259	50,188,513
<b>Total</b>	<b>695,113,273</b>	<b>1,199,145,037</b>

**3. Return to CRF Issues**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account ( <i>County Executive</i> )	18,956	5,360
Development Account ( <i>County Executive</i> )	1,595,178	293,636
Recurrent Account ( <i>County Assembly</i> )	3,679,492	735,746
Development Account ( <i>County Assembly</i> )	2,099,048	0
Others ( <i>Specify</i> )		
<b>Total</b>	<b>7,392,674</b>	<b>1,034,742</b>

*The return to CRF by the county executive were due to bounced payments.*

County Government of Kisumu  
County Revenue Fund  
For the financial year ended 30<sup>th</sup> June, 2023

4. Transfers to County Executive

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account	6,800,282,361	6,974,691,423
Development Account	1,733,244,298	1,429,715,927
Special Purpose Accounts		
Others ( <i>Specify</i> )		
<b>Total</b>	<b>8,533,526,659</b>	<b>8,404,407,350</b>



County Government of Kisumu  
 County Revenue Fund  
 For the financial year ended 30<sup>th</sup> June, 2023

Notes to the Financial Statements (Continued)

5. Transfers to County Assembly

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Recurrent Account	741,474,220	764,317,456
Development Account	128,320,089	88,429,222
Special purpose accounts		
Others (Specify)		
<b>Total</b>	<b>869,794,309</b>	<b>852,746,678</b>

(As per County Appropriation Act, these amounts are tallying with corresponding receipts recorded by the County Assembly)

6. Fund balance

Description	2022/2023	2021/2022
	Kshs.	Kshs.
County Exchequer Account - (CBK Account number 1000171488)	2,021,612,102	1,733,026,958
<b>Total</b>	<b>2,021,612,102</b>	<b>1,733,026,958</b>

7. Disclosure of Balances in Revenue Collection Accounts

County Government Own source revenue is recognized in the financial statements when it has been swiped to CRF. Revenue collection account balances are disclosed as at the end of the reporting period as below.

Name Of Bank, Account No. & Currency	Amount in bank account currency*	Ex. rate (if in foreign currency)	2022/2023	2021/2022
			Kshs	Kshs
Kisumu County Revenue – KCB A/C 1141991705	Kes		42,020,417	13,908,855
Kisumu County Health Revenue – KCB A/C 1155423712	Kes		364,959	89,014
Chief Officer Maseno ATC KCB A/C 1148451196	Kes		0	997

County Government of Kisumu  
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Maseno ATC KCB A/C 1149539208	Kes		1,008,463	0
Kisumu County Revenue Cooperative A/C 0114171766976600	Kes		2,083,300	1,464,853
Kisumu County Health Revenue A/C 01141766981100	Kes		8,105,374	139,600
<b>Total</b>			<b>53,582,513</b>	<b>15,603,319</b>

**11. Annexes**

**Annex 1: Progress on follow up of Auditor’s Recommendations**

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

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

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National/ County Treasury.

.....  
**Name: Paul Njenga Waweru**  
**Chief Officer Finance**  
**Date: 22nd September, 2023**

**Annex 2 . Analysis Of Receipts from The National Treasury -Exchequer Releases**

Descriptions	TOTAL Q 1	TOTAL Q 2	TOTAL Q 3	TOTAL Q 4	GRAND TOTAL
Equitable share CRF-Executive	1,324,312,977.00	1,966,404,114.00	1,324,312,975.00	4,053,200,316.00	8,668,230,382.00
DANIDA	0.00	0.00	0.00	21,991,500.00	21,991,500.00
World Bank-Kenya Devolution Support Pro	0.00	0.00	0.00	0.00	0.00
Conditional Allocations-Development of Y	0.00	0.00	0.00	0.00	0.00
World Bank Grant for THS	0.00	0.00	0.00	0.00	0.00
WORLD BANK Grant for Devolution advi	0.00	0.00	0.00	0.00	0.00
WORLD BANK-Locally-Led Climate Actio	0.00	0.00	11,000,000.00	11,000,000.00	22,000,000.00
Conditional allocations compensation for us	0.00	0.00	0.00	0.00	0.00
Conditional allocations for leasing of medic	0.00	0.00	0.00	0.00	0.00
Conditional allocations for RMLF	0.00	0.00	0.00	0.00	0.00
EU Grant for instruments for devolution adv	0.00	0.00	0.00	0.00	0.00
IDA (World Bank) Climate Smart Agri Proj	0.00	0.00	70,007,432.00	0.00	70,007,432.00
IDA (World Bank) Kusp (UDG)	0.00	0.00	0.00	2,339,915.00	2,339,915.00
IDA (World Bank) Kusp ( urban Institutional	0.00	0.00	0.00	0.00	0.00
UHC Funds	0.00	0.00	0.00	0.00	0.00
Sweden ASDSP	0.00	0.00	4,830,936.00	0.00	4,830,936.00
EU Water tower protection and Climate cha	0.00	0.00	0.00	0.00	0.00
PRACTICE	0.00	0.00	0.00	0.00	0.00
World Bank-Kenya Informal Settlement Imp	0.00	0.00	0.00	200,000,000.00	200,000,000.00
	0.00	0.00	0.00	0.00	0.00
<b>Total share of National Revenue</b>	<b>1,324,312,977.00</b>	<b>1,966,404,114.00</b>	<b>1,410,151,343.00</b>	<b>4,288,531,731.00</b>	<b>8,989,400,165.00</b>

**Annex 3. Analysis Of Receipts from Own Source Revenue per Quarter**

Period 20xx	Quarter 1 (Kshs.)	Quarter 2 (Kshs.)	Quarter 3 (Kshs.)	Quarter 4 (Kshs.)	Total (Kshs.)
Cess	1,969,078	4,884,518	3,817,911	3,364,498	14,036,005
Land rate	5,385,646	8,349,725	63,092,183	73,070,344	149,897,898
Single/Business permits	9,439,902	4,213,398	111,698,581	38,804,748	164,156,629
Property rent	2,877,421	5,717,272	7,266,502	4,178,488	20,039,683
Parking fees	27,898,867	27,722,472	22,271,382	21,552,333	99,445,054
Market fees	13,610,030	13,503,816	11,624,427	12,900,301	51,638,574
Advertising	27,512,002	18,462,902	64,952,627	37,680,552	148,608,083
Hospital fees					-
Public health service fees	797,900	837,600	1,432,777	1,742,565	4,810,842
Physical planning and development	6,554,590	5,152,501	10,343,375	9,792,780	31,843,246
Hire of County Assets					-
Conservancy administration					-
Administration control fees and charges					-
Park fees					-
Proceeds from sale of assets					-
Other fines, penalties, and forfeiture fees					-

County Government of Kisumu  
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Miscellaneous					-
Others (Specify)	945,009	3,142,150	3,859,000	2,691,100	10,637,259
<b>Total</b>	<b>96,990,445</b>	<b>91,986,354</b>	<b>300,358,765</b>	<b>205,777,709</b>	<b>695,113,273</b>

**Annex 4: Analysis of Transfers from the County Revenue Fund**

Period -2022-2023	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)	(Kshs.)
County Executive -Rec	1,140,473,713	1,092,893,599	1,261,515,654	3,305,399,395	6,800,282,361
County Executive -Dev		272,586,536	196,216,921	1,264,440,841	1,733,244,298
County Assembly -Rec	80,186,821	139,803,864	182,878,035	338,605,500	741,474,220
County Assembly -Dev	40,150,736	6,507,000		81,662,353	128,320,089
Special Purpose A/c (Specify)					
<b>Total</b>	<b>1,260,811,270</b>	<b>1,511,790,999</b>	<b>1,640,610,610</b>	<b>4,990,108,089</b>	<b>9,403,320,968</b>

