

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

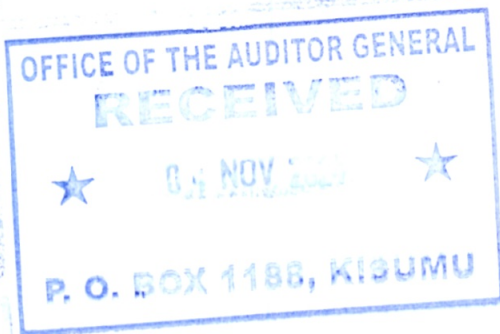
ON



**KISUMU URBAN PROJECT (PROJECT
ADVANCE ACCOUNT) - CKE 1035.01.G**

**FOR THE YEAR ENDED
30 JUNE, 2024**

COUNTY GOVERNMENT OF KISUMU	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 NOV 2024	DAY: MONDAY
TABLED BY:	DEPUTY MAJORITY WHIP Hon. Ngoniwa
CLERK AT THE TABLE:	J. LEMARILLE



**KISUMU URBAN PROJECT
PROJECT ADVANCE ACCOUNT**

CITY OF KISUMU

PROJECT GRANT/CREDIT NUMBER: AFD AGREEMENT NO CKE 1035.01.G

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

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Table Contents

Page

1. Acronyms and Definition of Terms.....	ii
2. Project Information and Overall Performance.....	iii
3. Statement of Performance against Project’s Predetermined Objectives.....	xvi
4. Environmental and Sustainability Reporting.....	xvii
5. Statement of Project Management Responsibilities	xxi
6. Report of the Independent Auditor on Financial Statements for the Kisumu Urban Project -Project Advance Account.....	xxiii
7. Statement of Receipts and Payments for the Year Ended 30 th June 2024.....	1
8. Statement of Financial Assets and Liabilities as at 30 th June 2024	3
9. Statement of Cash flows for the year ended 30 th June 2024	4
10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2024	5
11. Significant Accounting Policies.....	6
12. Notes to the Financial Statements.....	13
13. Annexes	19



***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
Donor Currency	Euro (€)

(Projects to include all acronyms and Definition of terms used in the annual report and financial statements)

2. Project Information and Overall Performance

2.1 Name and registered office

The Project's official name is Kisumu Urban Project - Project Advance Account

Objective

The key objective of the project is to promote an inclusive and sustainable development for Kisumu, through the modernization of the municipal management system and public policies, the improvement of land management and urban planning, rehabilitation and creation of public facilities and infrastructures, by undertaking the project in the following areas;

- i. Technical Assistance and Capacity Building;
- ii. Solid Wastage Management;
- iii. Slum Upgrading;
- iv. Commercial Infrastructure;
- v. Public Infrastructures Rehabilitation

Address

The project headquarters offices are in Kisumu City, Kisumu County, Republic of Kenya.

Kisumu Urban Project
Milimani Office, Tom Mboya Drive
P.O Box 7492-40100
Kisumu, Kenya
Tel. No. +254 (0) 775 543 071

The project also has Offices/Branches as follows:

- Milimani Office, Tom Mboya Drive

Contacts:

Telephone: : Tel. No. +254 (0) 775 543 071
E-mail: kupsecretariat@ymail.com
Website: www.citycouncilofkisumu.or.ke

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The Project start date is 12 th March 2012
Project End Date:	The Project end date is 30 th June 2022
Project Coordinator:	The Project Coordinator is Mr. Charles Omollo, the Deputy City Manager
Project Sponsor:	The Project sponsor is :Agence Francaise De Developpement (AFD) : 5, Rue Roland Barthes, 75598 : Paris Cedex 12 : France : Reg. No. 775 665 599

2.3 Project Overview

Line Ministry and State/ County Department	The project is under the supervision of the Ministry of Lands, Housing and Urban Development (State Department of Housing and Urban Development).
Project number	AFD AGREEMENT No CKE 1035.01.G
Strategic goals of the project	The strategic goals of the project is to promote an inclusive and sustainable development for Kisumu, through modernization of the municipal management system and public policies, improvement of land management and urban planning, rehabilitation and creation of public facilities and infrastructures
Summary of Project Strategies for achievement of strategic goals	The Project Management aims to achieve the set goals through the following means: (i) Technical Assistance and Capacity Building; (ii) Solid Wastage Management; (iii) Slum Upgrading; (iv) Commercial Infrastructure; (v) Public Infrastructures Rehabilitation
Other important background information of the project	The project is financing the Project Cash Expenditure Fund account for project execution activities

Kisumu Urban Project - Project Advance Account

Annual Report and Financial Statements for the financial year ended June 30, 2024

Areas that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Technical Assistance and Capacity Building; (ii) Solid Wastage Management; (iii) Slum Upgrading; (iv) Commercial Infrastructure; (v) Public Infrastructures Rehabilitation
Project duration	The Project started actively on 12 th March,2012 up to 30 June, 2022

2.4 Bankers

The following are the bankers for the current year:

Diamond Trust Bank Kenya Ltd
West End Mall Branch, Jomo Kenyatta Highway
P.O Box 1081-40100, Kisumu
Account No.0075090002

2.5 Independent Auditor

Auditors for the year under review the project is being audited by the Auditor General.

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Michael Abala Wanga	City Manager	Masters in Business Administration	Project Manager
Evans Otieno	City Finance Officer	CPA(K),B Com	Finance Officer
Charles Omollo	Project Administrative Officer	B Com, MBA ongoing	Project Coordinator
Lennox Jalang'o	Project Accountant	CPA(K),BBA	Project Accountant

**Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024**

2.7 Funding summary

The Project is set for a duration of 10 years from 2012 to 2021 with an approved budget of €40M(use donor currency) equivalent to KShs 4.0B as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 06 2024)		Undrawn balance to date (30 06 2024)	
	Donor currency (A)	KShs (A')	Donor currency (B)	KShs (B')	Donor currency (A)-(B)	KShs (A')-(B')
(i) Grant						
AFD	€40M	KShs 4.0B	€34.613M	KShs 3.962B	€0.198M	KShs 27.06M
Total	€40M	KES 4.0B	€34.613M	KShs 3.962B	€0.198M	KShs 27.06M

Note:

The donor transferred and paid a total of €34.613 as summarized below

S.NO.	DETAILS	AMOUNT (€)
1	Project Advance Account Transfers(PAA)	28,557,844
2	Cash Expenditure Fund Transfers(CEF)	184,119
3	Direct payments	5,871,160
	TOTAL	34,613,123

Kisumu Urban Project - Project Advance Account

Annual Report and Financial Statements for the financial year ended June 30, 2024

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(ii) Grant						
AFD	€40M	KS4.0B	€34.613M	KS3.962B	€0.198M	KS27.06M
(iii) Loan						
AFD	-	-	-	-		
(iv) Counterpart funds						
Government of Kenya	-	-	-	-		
Total	€40M	KS4.0B	€34.613M	KS3.962B	€0.198M	KS27.06M

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024*

B. Application of funds

Application of funds	Amount received to date – (30 th June 2024)		Cumulative amount paid to date – (30 June 2024)		Unutilised balance to date (30 th June 2024)	
	Donor currency	KShs	Donor currency	KShs	Donor currency	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(v) Grant						
AFD	€34.613M	3.962B	€35.23M	3.203B	€0.198M	KS27.06M
(vi) Loan	-	-	-	-	-	-
(vii) Counterpart funds						
Government of Kenya	-	-	-	-	-	-
Total	€34.613M	3.962B	€35.23M	3.203B	€0.198M	KS27.06M

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for the current year and for cumulative to-date,

	Budget	Actual on comparable basis	Performance difference	% of utilisation	Cumulative to date
	KShs	KShs	KShs.	KShs	
	A	b	c=(a-b)	d=(c/b)	
Receipts		KShs.	KShs.	KShs.	KShs.
Transfers from State Department of Housing and Urban Development	-	-	-	-	3,203,712,465
Total Receipts	-	-	-	-	3,203,712,465
Payments					
Purchase of goods and services	-	1,200	(1,200)	-	1,197,391,934
Transfer to CEF	-	-	-	-	39,781,887
Acquisition of Non Financial Assets	-	-	-	-	1,665,446,873
Refund of performance bond	-	-	-	-	15,150,115
Total Payments	-	1,200	(1,200)	-	2,917,770,809
Surplus for the period	-	1,200	(1,200)	-	285,941,656

- ii) Physical progress based on outputs and outcomes since project commencement,

KUP PROGRESS TABLE -

Assignment Details	Contract Amount (KES)	Contractor	Status	Progress	Expected completion date	Action
Completed Works, Services and Supplies						
CAA external Audit	6,084,154	Matengo and Associates	complete	100%		
Review of Kiswamp	8,605,000	Africa waste and environment Mngt Centre	complete	100%		
Decommissioning audit of Kachok	11,535,150	E-Cue Associates	complete	100%		

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

ESIA for civil works	8,302,000	Safe Environment Consultancy Ltd	complete	100%		
ESIA for building works	7,629,650	Rutal Water and Sanitation Organisation	complete	100%		
GIS office furniture	794,550	Bena General Merchants	complete	100%		
Land fill sitting study	5,707,200	Log Associates	complete	100%		
ISUD Plan(€ 271,790)	29,896,900	Nodalis Conceil	complete	100%		
Masonry fence and other improvements at KUP	1,700,000	Legend Contractors	complete	100%		
Temporary KUP office renovation	1,640,529	Rirkos Contractors	complete	100%		
28No High mast floodlights	124,506,189	Match Electricals Ltd	complete	100%		
KUP Secretariat ICT	1,650,000		complete	100%		
KUP Secretariat Project Vehicles	21,179,000	CMC Kenya Ltd	complete	100%		
Construction of Kakoth bridge	24,951,166	Calmex Construction Services Ltd	complete	100%		
Bio Centres	20,848,618	Umande Trust	complete	100%		
Satellite Imagery and Digital Mapping	7,991,830	Regional Centre for mapping and resources for development	complete	100%		
Hand tools and branded protective wares	4,956,000	Nyolas Enterprises	complete	100%		
Construction of Health Centre at Lumumba Phase 1	133,769,275	Chaju Builders ltd.	complete	100%		
Supply of Motorcycles	3,159,000	Rockey Africa Ltd	complete	100%		
Design and supervision of construction of schools	31,626,535	Maestro Architects	complete	100%		
KUP TAT n° 1 2012/2016 (€ 2, 731, 050)	327,726,000	Sofreco	complete	100%		
Upgrade to gravel Otonglo - Prison - Auji - Pundo Rds	134,817,360	Esiko Kenya Enterprises Limited	complete	100%		
Design and supervision of construction of Jubilee Market	27,464,349	AAKI Consultants	complete	100%		

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Design and supervision of construction of Kibuye Market	27,373,500	Dama Services	complete	100%		
Expansion of KUP offices-Force Account	1,878,674	Force Account	complete	100%		
Upgrade to bitumen Kaloleni Estate Rds (Lot 3)	73,748,344	M'Big Ltd.	complete	100%		
Rehabilitation of Kisumu Social Centre	76,183,912	Watiti Contractors	complete	100%		
Schools construction-Got Nyabondo Primary School	104,260,400	Guumba Contractors	complete	100%		
Schools construction-Rweya Primary School	123,927,917	Comacon ltd.	Complete	100%		
CoK ICT Equipment and training	21,700,206	Joworld Ltd	complete	100%		
Design and supervision of construction of gravel rds	30,544,640	ITEC Engineering Ltd	complete	100%		

iii) *List the implementation challenges and recommend the next steps.*

1. A fragile governance system

Management was organized in three layers: a steering committee, a management committee and a KUP secretariat, supported by technical assistance. In practice, this organization wasn't fully respected. The KUP Secretariat ensured the daily management of the program with the support of the TAT, but suffered from inadequate staffing. Indeed, none of the staff appointed to the secretariat was fully dedicated to the project, and all of them had to split their time between the KUP and other duties.

The KUP secretariat also suffered from important turn over due to staff transfers, which limited its capacity to lead and manage the project efficiently. Finally, according to the interviews led by the Consultant, the secretariat wasn't formally organized and lacked structuring. Its members would come and go whenever they were available without much anticipation and coordination. The Steering Committee (composed of members from the civil society, residents, private stakeholders) was supposed to meet every four to six months. It only met a few times, mainly before devolution.

When the County was created, the Steering Committee was no longer a priority and the frequency of the meetings diminished overtime. Moreover, the chairing of the committee by the city or

Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024

county wasn't clear. This limited the implication of non-state actors in the supervision of the project, and rendered the communication with decision makers more complicated. The Management Committee, composed of heads of different city departments, was to meet on a monthly basis. However, as the majority of department heads were members of the KUP secretariat, the operational decisions were mainly taken at the secretariat. The City manager was already represented at the KUP secretariat and the TAT was also participating in its meetings. The Management Committee therefore became obsolete.

Moreover, the role of the national government and especially of the SDHUD was very limited. According to the SDHUD, they could have provided technical backstopping and monitoring of the project if a budget had been provided for it. This could have mitigated the capacity gap at city level and reduced the delays which occurred during the course of the project.

The devolution process strongly impacted the KUP governance framework, as the Mayor was replaced by a City manager appointed by the Governor. The City remained technically with the project, but the political leadership was transferred to the County, thus adding a layer in the governance framework and complexional decision making. It also led to political interference. Indeed, then ewly elected Governor attempted to widen the geographical scope of the project outsid eof the city's boundaries and to transfer the implementing agency to the County. The CFA prevented such changes but it caused a lot of delays. The County ended up negotiating an adjustment of the procurement plan to lower the amounts of the contracts, in order for local firms to be able to compete. For all these reasons, and as mentioned by one of the stakeholders interviewed by the Consultant: "not much took place during the first 5 years of the project".

2. A useful but oversized TAT

With unclear mandate The TAT played an essential role in the implementation of the project, as the municipal staff didn't have all the necessary capacities at the time, and wasn't able to dedicate enough time to the management of the project. It supported the KUP secretariat in the daily management of the project and provided quality assurance. It was also expected to review and validate the documents that were sent to AFD for no objection. The TAT also provided on-the-job training to the KUP secretariat which strongly contributed to build the capacities of its members.

However, according to the FGD led with the municipal staff, the TAT was largely oversized and ended up eating a large share of the budget for limited impacts. Indeed, although some consultants played a key role in the successful implementation of the sub-projects and worked hands in hands with the municipality, others remained idle due to insufficient workload and tensions between the two members of the consortium. This partly explains the over costing of the TAT, which forced the city and AFD to limit intervention during the last years of the project, even though its support would have been useful. According to city staff, an output-based contract would have enabled a more efficient management of the TA resources, rather than a time based contract. Moreover, still according to city staff, the pay gaps between the consultants and the KUP secretariat members, added to the workload discrepancies, were sources of tensions between both parts and negatively impacted the motivation and implication of the KUP secretariat.

Finally, still according to city staff, the role and position of the TAT within the project governance framework wasn't clear enough, especially regarding the relationship with AFD. Indeed, the TAT ended up playing a role of quality gate keeper for AFD, and developed direct relationships with them, when it was meant to be managed by the city. This generated a sense of competition between the city and the consultants in their relationship with AFD, and sometimes created tensions.

According to the ministry, there was also competition between the consultants of the TAT and the ministry staff in providing technical backstopping. Indeed, according to the ministry, its staff would have been able to provide more support to the KUP secretariat, but wasn't given any means for the technical supervision of the project.

3. Difficulty to comply with AFD requirements and lack of staffing on AFD side, which generated serious delays in project validation and completion Even though the project followed national procedures, it also had to comply with AFD requirements, especially regarding financial management, procurement and E&S safeguards. To ensure the compliance of the project with these requirements, AFD was to provide no-objections for disbursement of funds and procurement, and thus at almost every step of the process (drafting of the terms of Reference, preparation of tender documents and notice, evaluation of proposals, draft of contracts, etc.).

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Before the requests for no-objection by the city, the documents also had to be reviewed and validated by the TAT. According to city staff, these procedures were very time consuming (a delay of one week to a few months was necessary to obtain a feedback from AFD on each request for no-objection) and caused a lot of delays. This was due both to the fact that the city staff wasn't familiar with the requirements, and to a lack of responsiveness on AFD side, due to important turnover and inadequate staffing. It was aggravated by the number of contracts (80 in total) because of the city's low capacity to manage the contracts and the needs for addendum because of issues in design and planning of projects.

Accordingly, AFD did try to limit the number of no-objections (that can be estimated at 600 during the course of the project) through the establishment of the cash project account or the limitation of validation by AFD staff but one can say that AFD overestimated its capacity to respond to no-objection request in time.

However the city staff acknowledged that the AFD requirements, despite being "painful", strongly contributed to build their capacities in project management, especially for the management of future donor funded projects. The city staff also stressed the fact that the donor conditions weren't properly understood by the politics, which put a lot of pressure on the city manager and KUP secretariat, and that there was a lack of clear time frame for the obtainment of the no-objections, which led them to sometimes have the feeling that the project was out of their control. For future projects, it seems important to clearly explain the purpose and implementation modalities of these requirements to both decision makers & city staff, to avoid misunderstanding (donor control is important for accountability and quality assurance, but needs to be understood), and to elaborate a clear time frame for the no-objection procedures, which all stakeholders would have to comply with.

The city also struggled to comply with the E&S requirements, mostly for a question of familiarity with such requirements, and capacity to handle the different contracts. For this reason, some E&S studies were launched during or after the project design studies, when they should have been launched previously. Indeed, the final reports of consultancy services for RAP studies, environmental and social management plan reviews, socio-economic feasibility studies and socio-economic feasibility reviews for the KUP building and civil works projects were delivered in June 2019, meaning after the delivery of the schools (completed between 2013 and 2019), the Lumumba

Hospital (completed in March 2019), and the floodlights (installed between 2014 and 2015). This sometimes obliged the project designers to modify the project designs later on, after completion of the studies, and also caused some delays.

4. Heavy Financial management framework

The framework which was set-up at the start of the project was very heavy and caused major delays in the requests for draw down and the payment of the consultants. For this reason, a Project Advance Account (PAA) was created (see §2.3.3.1) through a first amendment to the CFA. The creation of the PAA allowed the city to pay consultants, contractors and suppliers based on an estimated budget, rather than going through the complex payment process. It was a rapid response to the problems encountered and enabled to quickly improve the efficiency of the payment process

2.9 Summary of Project Compliance:

- i) As the department of City of Kisumu and as implementers of the project there was full compliance with applicable laws and regulations, e.g., treasury circulars on project investment management, PFM Act 2012 and Kenya Vision 2030 flagship projects, and essential external financing agreements/covenants,
- ii) There were no consequences suffered on account of non-compliance or likely to be suffered.

**Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024**

3. Statement of Performance against Project’s Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity’s performance against predetermined objectives.

The key development objectives of the Kisumu Urban Project plan are to:

- (i) promoting an inclusive and sustainable development in Kisumu
- (ii) Improvement of land management and urban planning.
- (iii) rehabilitation and creation of public facilities and infrastructure.
- (iv) Build the capacity of the Staff and members of the Project.

Progress on the attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kisumu Urban Project	(i) promoting an inclusive and sustainable development in Kisumu	Increased efficient transportation of people, goods and services, urban planning, streetlights, extended business hours, increased access to other service centre.	1.No bitumen roads build.	In FY 2023/2024 almost all the project funds were spent to provide different services geared towards the achievement of the objectives of the project.
	(ii) Improvement of land management and urban planning.		2.Streetlights constructed along the bitumen roads	
	(iii) rehabilitation and creation of public facilities and infrastructure.		3.Urban planning enhanced since there is master urban plan,	
	(iv) Build the capacity of the Staff and Project team		Number of staff trained on key result areas.	

4. 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.

i. Sustainability strategy and profile

The City is in the process of becoming semi-autonomous. There is an independent City Board already appointed in line with the Laws and regulations.

Both the National and the County Governments are committed to sustainable development partnership with the City through the State Department of Housing and Urban Development

New, highly skilled and competent staff are in place to support the vision with a strong oversight of the Internal Audit Department

The following factors form part of our major challenges:

a) Inadequate budgetary allocation

The city of Kisumu heavily struggles to meet its operational costs resulting in lack of implementation of the key projects due to inadequate budgetary allocation.

b) Inadequate resources

Human and capital resource are a challenge with most of the resources being held by County Executive in functions that are yet to be transferred. This has made operations of the City to be in serious difficulty as staff, machinery and equipment keep on oscillating between the City and the County Government.

c) Delay in Payments /Inadequate cash disbursement

Government financial transfers have been quite unpredictable. Most programs slowing down. Timely disbursements will go a long way in boosting our operations and development in a more sustainable manner

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

ii. 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.

iii. 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.

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.

v. Market place practices-

- (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

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

b) Responsible ethical practices

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

And these are minuted and entered into Conflict of Interest Register

None has been noted so far.

c) Regulatory impact assessment

The City has been remitting its statutory deductions to the relevant institutions on time as per the law. Preparations and submission of quarterly financial reports has been adhered to by the City.

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

The City Board holds its oversight regularly as required by the Urban Areas and Cities Act 2011 and related statutes and policies

Submission of Quarterly and Annually report PPRA (Public Procurement and Regulatory Authority) to the County for onward submission and being audited by the Auditor General, an independent Office under the Constitution

v. 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.

5. Statement of Project Management Responsibilities

The management of Kisumu Urban Project and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2024.

This responsibility includes:

- (i) Maintaining adequate financial management arrangement 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 project,
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud,
- iv) safeguarding the assets of the project,
- v) Selecting and applying appropriate accounting policies and
- vi) Making accounting estimates that are reasonable in the circumstances.

The management of Kisumu Urban Project and the Project Coordinator accept responsibility for the Project'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.

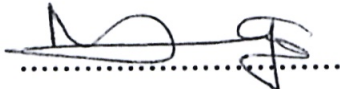
The management of Kisumu Urban Project and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. The team further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

The management of Kisumu Urban Project and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

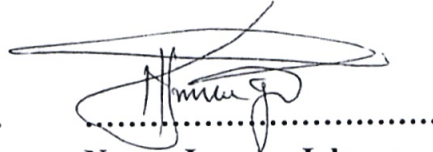
The Project financial statements were approved by the City Manager and the Project Coordinator on 20th August 2024 and signed by:



**Name: Abala M. Wanga
City Manager**



**Name: Charles Omollo
Project Coordinator**



**Name: Lennox Jalango
Project Accountant
ICPAK Member No:9392**

REPUBLIC OF KENYA



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON KISUMU URBAN PROJECT (PROJECT ADVANCE ACCOUNT) - CKE 1035.01.G FOR THE YEAR ENDED 30 JUNE, 2024 – COUNTY GOVERNMENT OF KISUMU

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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 unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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

Opinion

I have audited the accompanying financial statements of Kisumu Urban Project (Project Advance Account) - CKE 1035.01.G – County Government of Kisumu set out on pages 1 to 19, which comprise the statement of financial assets and liabilities as at

Report of the Auditor-General on Kisumu Urban Project (Project Advance Account) - CKE 1035.01.G for the year ended 30 June, 2024 - County Government of Kisumu

30 June, 2024, and the statement of receipts and payments, statement of cash flows and the statement of comparative 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, the financial statements present fairly, the financial position of the Kisumu Urban Project (Project Advance Account) as at 30 June, 2024, and of its financial performance and its cash flows 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 terms of the Financing Agreement No. CKE 1035.01.G dated 5 July, 2010 and Addendum dated 19 February, 2020 between the French Development Agency (AFD) and the Republic of Kenya.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu Urban Project (Project Advance Account) 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 opinion.

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. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved some of the issues or given any explanation for failure to address them.

Other Information

Conclusion

The Management is responsible for the other information set out on page iii to xxii which comprise of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project'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. I have nothing to report in this regard.

REPORT ON THE 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 matters described in the Basis for Conclusion on the Lawfulness and Effectiveness in Use of Public Resources, 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

Non-Closure of Project and Handover of Project's Assets

According to the Project Financing Agreement the deadline for use of funds was 30 June, 2022. However, review of documents provided for audit revealed that there was no handover report for the Project's assets to the implementing entity, the City of Kisumu.

Further, during the year under review, no funds were received by the project and no expenditure was made from the bank account which had a balance of Kshs.2,199,109. Further, Project records indicate pending bills of Kshs.31,575,700 as at 30 June, 2024.

In the circumstances, the Project may not meet its obligations while Management was in breach of the law.

The audit was conducted in accordance with the ISSAIs 3000 and 4000. The Standards 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 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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.

Basis for Conclusion

The audit was conducted in accordance with the ISSAIs 2315 and 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the French Development Agency (FDA), I report based on my audit that 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,

- i. Information given in the Management report on pages iii to xxii is consistent with the financial statements;
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The French Development Agency (FDA) requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. 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 those Charged with Governance

The 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 Project'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.

Those charged with governance are responsible for overseeing the Project'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 INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires 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 IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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

04 November, 2024

7. Statement of Receipts and Payments for the Year Ended 30th June 2024.

	Note	Receipts and payments controlled by the authority			Receipts and payments controlled by the authority			Cumulative total to date of the financial year
		2023/2024	2022/2023	Total	2023/2024	2022/2023	Total	
Receipts								
Transfer from Government entities	1	-	-	-	-	-	-	3,203,712,465
Total receipts		-	-	-	-	-	-	3,203,712,465
Payments								
Purchase of goods and services	2	1,200	-	1,200	-	-	-	1,197,391,934
Acquisition of non-financial assets	3	-	-	-	-	-	-	1,665,446,873
Transfers to Cash Expenditure Fund	4	-	-	-	-	-	-	39,781,887
Refund of performance Bond			-	-	-	-	-	15,150,115
Total payments		1,200	-	1,200	-	-	-	2,917,770,809
Surplus/ (deficit)		(1,200)	-	(1,200)	-	-	-	285,941,656

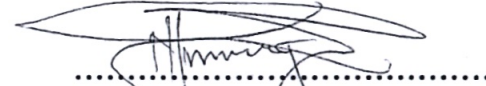
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Name: Abala M. Wanga
City Manager



Name: Charles Omollo
Project Coordinator



Name: Lennox Jalango
Project Accountant
ICPAK Member No:9392

Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024


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

Financial Assets			
Cash and Cash equivalents	5	2,199,109	2,200,309
Total Financial Assets		2,199,109	2,200,309
Net Financial Assets		2,199,109	2,200,309
Represented By			
Fund Balance B/fwd.	6	2,200,309	27,068,262
Prior Year adjustments	7	-	(24,867,953)
Surplus/(Deficit) for the Year		(1,200)	-
Net Financial Assets		2,199,109	2,200,309

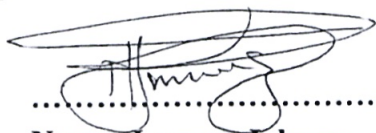
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20th August 2024 and signed by:



Name: Abala M. Wanga
City Manager



Name: Charles Omollo
Project Coordinator



Name: Lennox Jalango
Project Accountant
ICPAK Member No:9392

9. Statement of Cash flows for the year ended 30th June 2024

Receipts			
Transfer from government entities	1	-	-
Total receipts		-	-
Payments		-	-
Purchase of goods and services	2	1,200	-
Transfers to other Cash Expenditure Fund	4	-	-
Total Payments		1,200	-
Net receipts/(payments)		(1,200)	-
Adjustments during the year			
Prior year adjustments	7	-	(24,867,953)
Net cash flow from operating activities		(1,200)	(24,867,953)
Cash flow from investing activities		-	-
Acquisition of non-financial assets	3	-	-
Net cash flows from investing activities		-	-
Net increase in cash and cash equivalents		(1,200)	(24,867,953)
Cash & cash equivalent at 1 July	5	2,200,309	27,068,262
Cash and cash equivalent at 30th June	5	2,199,109	2,200,309

10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2024

	Original Budget	Actuals	Final Budget	Variance for Comparison	Budget Difference	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Transfer from Government entities						0%
Proceeds from domestic and foreign grants						
Proceeds from borrowings						
Miscellaneous receipts						
Total Receipts						0%
Payments						
Compensation to employees						
Purchase of goods and services				1,200		
Social security benefits						
Acquisition of non-financial assets						
Transfers to other government entities						
Other grants and transfers						
Total Payments						
Surplus or Deficit				1,200		0%

Note: The significant budget utilization/performance differences in the last column are explained in Annex 2 to these financial statements.

11. Significant Accounting Policies

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

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 set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for a) receivables that include imprests and salary advances and b) payables that include deposits and retention. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

b) Reporting entity

The financial statements are for Kisumu Urban Project (KUP) under the County Department of City of Kisumu. The financial statements are for the reporting entity Kisumu Urban Project (KUP) as required by Section 81/ Section 164 of the PFM Act, 2012.

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), the project's functional and reporting currency. All values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

Kisumu Urban Project (KUP) recognizes all receipts from various sources when an event occurs, and the related cash is received.

i) Transfers from the Exchequer

Transfers from the Exchequer are recognized in the books of accounts when cash is received. Cash is considered received when a payment instruction is issued to the bank and the receiving entity is notified.

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Significant Accounting Policies (continued)

ii) External Assistance

External assistance is monies received through grants and loans from multilateral and bilateral development partners.

iii) Other receipts

This includes Appropriation-in-Aid and relates to receipts such as proceeds from the disposal of assets and the sale of tender documents. These are recognized in the financial statements when associated cash is received.

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when payment advice is received by the recipient entity or by the beneficiary. In the case of a grant/donation in kind, such grants are recorded upon receipt of the grant item and its value determined. The transaction date is the value date indicated on the payment advice.

v) Proceeds from borrowing.

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at the reporting date specified in a binding agreement and relate to funding for the Project currently under development, where conditions have been satisfied, or their ongoing satisfaction is highly likely, and the project is anticipated to continue to completion. The funding summary analyzes the Project's undrawn external assistance.

e) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has been paid out by the Project.

Significant Accounting Policies (continued)

i) Compensation to employees

Salaries, wages, Allowances, and Statutory Contributions for employees are recognized when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments when the goods/services are consumed and paid for. If not paid for when goods/services are consumed, they shall be disclosed as pending bills.

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv) Repayment of borrowing (principal amount)

Repayment of the principal amount of borrowing is recognized as payment in the period in which the repayment is made. The debt stock is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on the acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items, respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as a receipt and as a payment. A fixed asset register is maintained by each public entity, and a summary is provided for consolidation purposes. This summary is disclosed as an annexure to the consolidated financial statements.

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Significant Accounting Policies (continued)

f) In-kind donations

In-kind contributions are donations made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment, or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

g) 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 the Central Bank of Kenya and 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.

h) 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. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

i) Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

Significant Accounting Policies (Continued)

j) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public-Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

k) Contingent Assets

City of Kisumu) 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 City of Kisumu in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Significant Accounting Policies (Continued)

l) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance.' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

n) Third-party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments.

Significant Accounting Policies (Continued)

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates (Kenya Shillings). Transactions in foreign currencies during the year are converted into functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

p) Comparative figures

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

q) Subsequent events

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

r) Prior period adjustments

There has been no prior year adjustment

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024*

12. Notes to the Financial Statements

1. Transfers from Government entities

These represent counterpart funding and other receipts from the government as follows:

<i>Counterpart funding through Ministry/ County Department</i>			3,962,000,000
Counterpart funds Quarter 1	-	-	
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total (See Annex 3)	-	-	3,962,000,000
<i>Other transfers from government entities</i>			
<i>Ministry/County Department</i>	-	-	-
<i>Ministry/ County Dept</i>	-	-	-
Project	-	-	-
Agency	-	-	-
Total	-	-	-
Appropriations-in-Aid	-	-	-
Total	-	-	=

Kisumu Urban Project - Project Advance Account

Annual Report and Financial Statements for the financial year ended June 30, 2024

2. Purchase of Goods and Services

	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising, and information supplies	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialized materials and services	-	-	-	-	-
Other operating payments	1,200	-	1,200	-	1,197,391,934
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-
Routine maintenance- other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	1,200	-	1,200	-	1,197,391,934

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

3. Acquisition of Non-Financial Assets

	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of buildings	-	-	-	-	-
Construction of buildings	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	1,665,446,873
Construction of roads	-	-	-	-	-
Construction of civil works	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-
Purchase of office furniture & general equipment	-	-	-	-	-
Purchase of specialized plant, equipment and machinery	-	-	-	-	-
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-
Research, studies, project preparation, design & supervision	-	-	-	-	-
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
Total	-	-	-	-	1,665,446,873

Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

4. Transfers to Cash Expenditure Fund

The total amount of grant funds transferred to the Cash Expenditure Fund (CEF) of KShs 39,781,887 has been translated to Euro 348,994 at the conversion rate ruling on the day of receipt of cash into the CEF.

Description	Date	KShs	Conversion Rate	€
Transfer from PAA to CEF	9/12/2016	16,500,000	107.92	152,891
Transfer from PAA to CEF	10/11/2017	11,222,875	120.64	93,028
Transfer from PAA to CEF	30/5/2018	1,859,012	118.45	15,694
Transfer from PAA to CEF	28/9/2018	5,901,247	117.01	50,434
Transfer from PAA to CEF	9/8/2019	4,298,753	116.35	36,947
Total Funding to CEF		39,781,887		348,994

5. Cash And Cash equivalents

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank accounts (Note 4A)	2,199,109	2,200,309
Cash in hand (Note 4B)	-	-
Total	2,199,109	2,200,309

The Project has one project account spread within the project implementation area and a foreign currency designated accounts managed by the National/County Treasury as listed below:

*Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

5. A Bank Accounts

Project Bank Accounts

Details	2023/2024	2022/2023
	Kshs	Kshs
<u>Local Currency Accounts</u>		
Diamond Trust Bank-City of Kisumu – AFD Project Advance Account (A/C No. 0075090002)	2,199,109	2,200,309
Total local currency balances	-	-
Total bank account balances	2,199,109	2,200,309

5 B Cash in hand

Description	2023/2024	2022/2023
	KShs	KShs
Location 1	-	-
Location 2	-	-
Total cash in hand balances	-	-

6. Fund Balance Brought Forward

Bank accounts	2,199,109	2,200,309
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
Total	2,199,109	2,200,309

7. Prior Year Adjustment

Bank account Balances	-	-	-
Cash in hand	-	-	-
Imprests and advances	-	-	-
Deposits and retentions	-	-	-
Non-financial assets	24,867,953	-	24,867,953
Total	24,867,953	-	24,867,953

Other Important Disclosures

8. Pending Accounts Payable (See Annex 3)

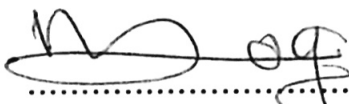
Construction of buildings	-	-	-	9,705,296
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	14,966,818
Supply of services	-	-	-	6,903,585
Total	-	-	-	31,575,700

***Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024***

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

<p>Emphasis of Matter</p>	<p>Project Management Team to commence closure of Project</p>	<p>Communication had been initiated and is underway between the City of Kisumu and the Ministry of Lands, Housing and Urban Development (State Department of Housing and Urban Development) for advise on closure procedures</p>	<p>Not Resolved</p>	<p>Within the 2nd quarter 2024/2025</p>
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 Name: Abala M. Wanga
 City Manager


 Name: Charles Omollo
 Project Coordinator

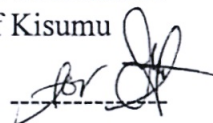
Annex 2: Reconciliation of inter-entity transfers

Government Counterpart funding				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	2023/2024
			-	
			-	
		Total	-	
	B. Direct payments			
		Bank Statement Date	Amount (Kshs)	2023/2024
			-	
		Total	-	
	C. Others			
		Bank Statement Date	Amount (Kshs)	2023/2024
			-	
		Total	-	
		Total (A+B+C)	-	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
 City of Kisumu

Sign



City Manager
 City of Kisumu

Sign



Annex 3: Analysis of Pending Bills

	Contracted Amount	Amount Paid	Outstanding Balance 30.06.2024	Outstanding Balance 30.06.2023	
	a	b	c=a-b		
Construction of buildings					
1.Polish Contractors Limited	90,843,207.00	89,131,745.66	1,711,461.34	1,711,461.34	
2.Polish Contractors Ltd	4,830,960.00		4,830,960.00	4,830,960.00	
3 .Sanabil General Supplies	98,927,705.00	96,459,131.80	2,468,573	2,468,573	
4.Scenario Architects	19,328,230.00	18,633,928.55	694,301.45	694,301.45	
Sub-Total	213,930,102	204,224,806.01	9,705,295.79	9,705,295.79	
Construction of civil works					
1.	-	-	-	-	
2.	-	-	-	-	
Sub-Total					
Supply of goods					
1. Lantech Limited	48,014,741.00	38,778,127	9,236,614	9,236,614	
2. Qubic System Ltd Esri Eastern Africa	41,950,000.00	36,349,746	5,600,254	5,600,254	
3. Kisumu Paper and Allied Ltd	129,950.00	-	129,950.00	129,950.00	
Sub-Total	90,094,691	75,127,873	14,966,818	14,966,818	
Supply of services					
1.Softcom Business Solutions	20,271,571.00	16,150,967	4,026,211	4,120,604	
2.Sunix Insurance Agencies	2,782,981.00	-	2,782,981.00	2,782,981.00	
Sub-Total	23,054,552	16,150,967	6,809,191.50	6,903,585	
Grand Total	327,079,345	295,503,646	31,575,699.64	31,575,699.64	

Annex 4: Summary of Fixed Assets Register

Asset	Opening Balance 2023/2024 (KSh)	Transfer in/out (KSh) 2023/2024	Purchase/ Additions in the Year (KSh) 2023/2024	Disposal in the Year (KSh) 2023/2024	Transfer in/out (KSh) 2023/2024	Closing Balance 2023/2024 (KSh)
Land						99,879,255
Buildings and structures	99,879,255					31,423,956
Transport equipment	31,423,956					7,589,518
Office equipment, furniture and fittings	7,589,518					6,457,465
ICT Equipment,	6,457,465					3,217,500
Other Machinery and Equipment	3,217,500					941,559,382
Heritage and cultural assets	941,559,382					
Biological assets						575,319,797
Infrastructure assets roads, rails	575,319,797					
Intangible assets						
Work in Progress						1,665,446,873
Total	1,665,446,873					

Kisumu Urban Project - Project Advance Account
Annual Report and Financial Statements for the financial year ended June 30, 2024

Annex 5: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2024
- iii. Board of Survey Report
- iv. Comparison Trial Balance

P.A.A

CITY OF KISUMU



KISUMU URBAN PROJECT

Date: 1/07/2024

Report on the survey on the cash and bank balances of KUP Kisumu URBAN PROJECT as at close of Business on 30/06/2024.

- The Board consisting of: 1. Charles Omollo - Project coordinator - Chairperson, 2. Aickem Otiemo - Account Assistant - member, 3. Stephen Oketa - Accounts Assistant - Member

Assembled at the office of Project Coordinator at 9:00 (time) on the 1 July 2024 and the following cash were produced.

Notes: N/A Shs. Coins: N/A Shs. Cheques (as per details on the reverse) Shs.

It was that cheques amounting to Shs. Cnts had been on the hand for more than 14days prior to the date of survey.

The cash consist of East African currency and does not contain any demonetized coins or notes.

This cash book reflected the following balances as at the close of business on the 30/06/2024.

Cash in hand: N/A Shs. NA Bank balances: Cash book Shs. 2,199,109.25

CITY OF KISUMU



KISUMU URBAN PROJECT

The Bank Certificate of balances showed sum of Kshs. 2,199,109.25
Amounting to the credit of the account on 30th June 2024.

The difference between this figure and the bank balance as shown by the cashbook is accounted for in the bank reconciliation statement (F.O 30) attached.

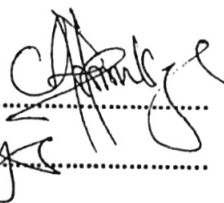
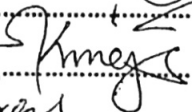
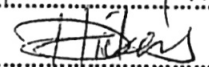
A handwritten signature in black ink, appearing to read "Charles Omollo", is written over a horizontal dotted line.

Charles Omollo

Chairman

Date : 11/07/2024

Members of the Board

CHARLES OMOLLO 
STEPHEN OICETAT 
DICKENS OTIENO 

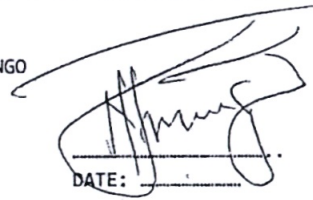
CITY OF KISUMU
 KISUMU URBAN PROJECT
 AFD CREDIT NO CKE 1035.01.G
 BANK RECONCILIATION
 As at 30TH JUNE, 2024

DESCRIPTION	AMOUNT (KSH)
Balance as per Bank Certificate	2,199,109.25
1) Less: Payments in Cash Book not yet recorded in Bank statement (Unpresented Cheques)	-
2) Less: Receipts in Bank statement not yet recorded in Cash Book	-
3) Add: Payments in Bank Statement not yet recorded in Cash Book	-
4) Add: Receipts in Cash Book not yet recorded in Bank statement	-
	2,199,109.25
Balance as per Cash Book	2,199,109.25
Difference	-

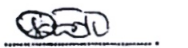
1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT				2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK		
CHEQUE		PAYEE	AMOUNT (KSH)	DETAILS		
NO.	DATE			DATE	DESCRIPTION	AMOUNT (KSH)
TOTALS			-	TOTALS		-
3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK				4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT		
CHEQUE		PAYEE	AMOUNT (KSH)	DETAILS		
NO.	DATE			DATE	DESCRIPTION	AMOUNT (KSH)
TOTALS			-	TOTALS		-

PREPARED BY :
 CPA LENNOX JALANGO

ACCOUNTANT


 DATE: _____

APPROVED BY:
 EVANS OGWENO


 FINANCE OFFICER

*Kisumu Urban Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

<u>TRIAL BALANCE FOR THE YEAR ENDED 30TH JUNE 2024</u>		
Details	DR. Ksh.	CR. Ksh.
Cash at Bank	2,199,109	
Deficit	1,200	
Fund balance b/fwd		2,200,309
TOTAL	2,200,309	2,200,309



**DIAMOND
TRUST
BANK**

Date: 26-09-2024 05:09:50

Account Statement

Page 1 Of 2

Member: 0075090002
 Name: CITY OF KISUMU-AFD PROJECT ADVANCE A/C-
 CUR KES
 Currency: KES
 Branch Code: 049
 Branch Name: WEST END MALL BRANCH

Report From Date: 01-JUN-2023
 Report To Date: 30-JUN-2024

Customer ID: 000075090
 Customer Name: CITY OF KISUMU-AFD PROJECT ADVANCE
 Customer Address: HOLDMAIL-KISUMU
 Customer Short Name: CITY OF KISUMU

KS - Opening Balance
2,200,309.25

Reference No	Transaction Detail	Addl Text	Value Dt	Instrument Code	Debit Amt	Credit Amt	Balance
000X451232050098	CERT. OF BAL/AUDIT CONFIRMATION CHG	AUDIT CONFIRMATION	24-JUL-2023		600.00	0.00	2,199,709
000X451232860005	CERT. OF BAL/AUDIT CONFIRMATION CHG	AUDIT CONFIRMATION	13-OCT-2023		600.00	0.00	2,199,109

Summary And Details Of The Account

Summary	
- Opening Balance as per 01-JUN-2023:	2,200,309.25
Total Debit Amt :	1,200.00
Total Credit Amt :	0.00
3 - Closing Balance as per 30-JUN-2024 :	2,199,109.25

Details Till Today (26-SEP-2024 05:09:50)	
Available Balance :	2,199,109.2
Current Balance :	2,199,109.2
Blocked Amount :	0.0
Uncollected Amount :	0.0

Authorized Transaction

