

## COUNTY GOVERNMENT OF KISUMU



## COUNTY ASSEMBLY OF KISUMU

### **THE HANSARD**

#### *Official Report*

### THIRD ASSEMBLY – FOURTH SESSION

Tuesday, 19<sup>th</sup> August, 2025

House met in the Main Chamber at 02:30 p.m.

(The Temporary Speaker (Hon. Emily Oginga) in the Chair)

### PRAYERS

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Good afternoon Honourable members and welcome to this session. Pursuant to the provisions of Orders 32 (2) of the Kisumu County Assembly Standing Orders, I direct that, the quorum bell to be rung for the first five minutes.

*(Quorum bell rung for the first minutes)*

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Yes, Madam Whip, could you please confirm if we have quorum.

**The Deputy Whip** (Hon. Obonyo, MCA, South West Kisumu): Thank you Madam Speaker, there is Quorum.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Thank you Whip. Clerk, please take us through the order of the day.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Next order!!

**COMMUNICATION FROM THE CHAIR****CONSULTATIVE ENGAGEMENT WITH THE RED CROSS SOCIETY OF KENYA**

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Thank you Honourable members, I have only one communication to make. The Kenya Red Cross Society has requested to meet the Honourable members on Thursday the 21st of August 2025 as from 09:00 a.m. in the Assembly Chamber. So, please try and avail yourself.

One of the key agenda will be on Disaster Preparedness and Response and other issues that might come up. Otherwise, you're all required to be available. Thank you.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Next order!!

**STATEMENTS****STATEMENT ON BUSINESS COMING BEFORE THE HOUSE IN THE HOUSE W.E.F  
WEDNESDAY 20TH AUGUST 2025 TO TUESDAY 26 AUGUST 2025****BY****HON. LUMUMBA OWADE, MCA, SOUTH EAST NYAKACH****(DEPUTY LEADER OF MAJORITY)**

**The Temporary Speaker** (Hon. Oginga): Honourable Mildred Ajumbo.

**Hon. Ajumbo** (MCA, Central Seme): Thank you, Madam Speaker. Madam Speaker, I rise on personal statement while citing the provisions of Standing Order No. 42(1).

Madam Speaker, I would like to alert members that there's a false smell in the House since we opened this Assembly and it's really affecting us. So, that smell, I don't know what kind of chemical was used to fumigate the Assembly, but it has personally affected on me even right now. So I just wanted to let the Members know. Thank you.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Honourable members, I would like to make a comment on the statement that has just been raised by Honourable Ajumbo. I have noticed you, Honourable Miriam Abeid.

Honourable members, that statement is a personal statement, which I will not open it up for debate. But I would like to commit it to the Chairperson, House Committee on Welfare and Equal Opportunity for further investigations and do a report to the House.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Yes, Honourable Miriam Abeid.

**Hon. Abeid** (Nominated Member): Thank you, Madam Speaker and Honourable members. I arise on Personal Statement 42 (1). And this very hour, I want to condemn in the strongest term possible the subjugation and dispossession of our brothers and sisters in Palestine. As you all know, I am a Muslim. I am also a daughter of a Yemeni father.

So, I arise to add my voice to the Women Leaders of National Assembly who urged this government to consider recognizing Palestinian state. We shouldn't live in a world where if there's a war, women and children bore the biggest brunt, even though they are not the actual militants. Thank you.

**The Temporary Speaker** (Hon. Oginga): Yes, the Deputy Leader of Majority, Hon. Lumumba Owade.

**The Deputy Leader of Majority** (Hon. Owade, MCA, South West Nyakach): Madam Speaker, I rise pursuant to Orders No. 41 (2) (c). As a member of the House Committee and on behalf of the County Assembly Majority Leader, to present and lay on the table of the County Assembly a Statement informing the County Assembly of the business coming before the House in the following week.

Madam Speaker, this is therefore to bring to the attention of the members and the County Assembly that for the week commencing on Wednesday 20<sup>th</sup> August 2025 to Tuesday 26<sup>th</sup> August 2025, the Select Committee on Assembly House Business at its last meeting approved the following tentative businesses to appear in the order papers as follows.

Wednesday 20<sup>th</sup> August, 2025 at 9.00 a.m.

#### PAPERS TO BE LAID

1. The Chairperson, Departmental Committee on Lands, Housing, Physical Planning and Urban Development, Honorable Ratib Boitone, will table the committee reports on the Proposed Sublease of Land Kisumu/ Municipality/Block/11/43 to the Ethics and Anti-Corruption Commission to the operational Status of the Municipalities.
2. The Chairperson, Departmental Committee on Finance, ICT, Honourable Carren Odhiambo, will table the committee reports on;
  - a) Seeking House approval to discontinue further scrutiny and interrogation of Annual Financial statements already reviewed by the Office of the Attorney General and Audit Opinions Issued,
  - b) The consideration of the Petition to the County Assembly by Kisumu County Contractors and Suppliers Association regarding the matter of periodization of pending bills.

Madam Speaker, the Chairperson, Departmental Committee on Water, Environment, Natural Resources and Climate Change, Honorable Samuel Dede, will table the committee report on the Kisumu County Quarrying Control Bill 2024.

The Chairperson, Select Committee on Delegated County Legislation, Honorable Mariam Abeid, will table committee report on the Status of Statutory Instruments on Kisumu County.

#### NOTICES OF MOTIONS

Madam Speaker, the Chairperson, Departmental Committee on Lands, Housing, Physical Planning and Urban Development, Honorable Ratib Boitone, will give Notices of Motion on the following committee reports;

- a) The Proposed Sublease of Land Kisumu Municipalities Block 1143 to the Ethics and Anti-Corruption Commission.
- b) The operational status of the municipalities.

Madam Speaker, the Chairperson, Departmental Committee on Finance and ICT, Honourable Carren Odhiambo will give Notice of Motion on the report on Seeking House approval to discontinue further scrutiny and interrogation of annual financial statements already reviewed by Office of Auditor General and audit opinion issued.

Madam Speaker, the Chairperson, Departmental Committee on Water, Environment, Natural Resources, and Climate Change, Honourable Samuel Dede, will give Notice of Motion on the report on Kisumu County Quarrying Control Bill, 2024.

Madam Speaker, the Chairperson of the Select Committee on Delegated County Legislation, Hon Miriam Abeid will give Notice of Motion on the report on the Status of Statutory Instruments in Kisumu County.

Wednesday, 20<sup>th</sup> August, 2025 at 02.30 p.m.

#### STATEMENT

The Chairperson of the Joint Committees on Administration of Law, Justice, Constitutional Affairs, Good Governance and Security, and Labour and Social Welfare Services, Honourable Moses Ochele, will issue a Statement on the Progress of the Inquiry into Allegation of Revenue Embezzlement by Employees of the Kisumu County Revenue Board.

#### SUBSTANTIVE BUSINESS

The Chairperson, Select Committee on Public Investments and Accounts (PIC/PAC), Honourable Kennedy Ouko, will move a Motion for adoption of the report of this House Committee on the Examination of the Report of the Auditor General on the Financial Statements

of Kisumu County Alcoholic Drink Fund Financial Year 2020/2021, 2021/2022, 2022/2023, and 2023/2024.

Thursday, 21<sup>st</sup> August, 2025 at 02.30 p.m.

#### SUBSTANTIVE BUSINESS

The Chairperson, Departmental Committee on Land, Housing, Physical Planning and Urban Development, Hon Ratib Boitone will move a Motion of adoption of the Committee Report on the Proposed Sublease of Land, Kisumu-Stoke Municipality Block 1143 to the Ethics and Anti-Corruption Commission.

Tuesday, 26<sup>th</sup> August, 2025 at 02.30 p.m.

The Leader of the Majority will issue a Statement pursuant to Order No. 41 (2) (c) of the Standing Orders on the Businesses Coming Before the County Assembly for the Week Commencing on Wednesday, August 27, 2025.

#### SUBSTANTIVE BUSINESS

Finally, Madam Speaker, the Chairperson, Departmental Committee on Water, Environment, Natural Resources and Climate Change, Hon Samuel Dede, will move a Motion for adoption of the Report on the Kisumu County Quarrying Control Bill, 2024. Thank you.

**The Temporary Speaker** (Hon Oginga, Nominated): Next order!!

### MOTION

REPORT OF THE SELECT COMMITTEE ON PUBLIC INVESTMENTS AND ACCOUNTS  
ON THE EXAMINATION OF THE REPORT OF THE AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF CITY OF KISUMU FOR THE FISCAL YEARS  
2021/2022, 2022/2023 AND 2023/2024

BY

HON KENNEDY OUKO, MCA, WEST KISUMU

9CHAIRPERSON, PUBLIC INVESTMENTS AND ACCOUNTS)M

**The Temporary Speaker** (Hon Oginga, Nominated Member): Yes, Honourable Ken Ouko, Chairperson, Select Committee on Public Investments and Accounts.

**Hon. Ouko** (West Kisumu): Thank you, Madam Speaker. On behalf of the Public Accounts and Investments Committee (PICPAC), and Pursuant to Kisumu County Assembly Standing Orders 188, I wish to present to this House the report of the Committee on the audited financial statements of City of Kisumu FYs 2021/2022, 2022/2023 and 2023/2024.

The City of Kisumu, being an entity under the Kisumu County Government, falls within the purview of the Office of the Auditor-General and is therefore subject to audit in accordance with Article 229 (4) (b) of the Constitution of Kenya, 2010, which mandates the audit of all county government entities to ensure accountability in the management of public resources.

The Public Accounts and Investments Committee is the watchdog committee that examines Auditor General's reports laid before this House to ensure probity, efficiency, and effectiveness in the use of public resources. The Committee is established pursuant to Standing Orders 188 to examine the accounts showing appropriations of sums voted by this House to meet public expenditure and of such other accounts laid before the House as the committee may think fit. This ensures implementation of Article 229(8) of the Constitution of Kenya, 2010 on reports submitted to this House by the Auditor General.

The Committee held a total of 7 sittings during which it received both written and oral evidence from the Accounting Officer on audit queries raised by the Auditor-General on the financial statements of City of Kisumu for the three financial years.

Honourable Speaker, in its scrutiny of the Auditor-General's reports, the Committee observed that the financial statements of the City of Kisumu for the Financial Years 2021/2022 and 2022/2023 received adverse opinions, indicating that they did not present a true and fair view of the financial position. However, in the Financial Year 2023/2024, the opinion improved to a qualified opinion, reflecting partial compliance with reporting standards though significant issues were noted.

In the Financial Year 2021/2022, the Auditor-General rendered an adverse opinion on the financial statements due to several material weaknesses. Key among them was the unsupported receivable of Kshs. 347,500,886 from the Kenya Urban Support Programme (KUSP), which lacked contractual or documentary evidence and was inconsistently reported.

The Auditor General highlighted failure to recognize assigned assets of unquantified value, contrary to the Public Finance Management Act, 2012, and significant unsupported expenditure amounting to Kshs. 345,665,501 under use of goods and services.

Further, staff costs totaling Kshs. 261,177,762 could not be confirmed due to absence of a distinct payroll system for the City, while misclassification of expenditure and budgetary control variances underscored weaknesses in financial reporting and management.

In addition, it was observed that several flagship projects including the Non-Motorized Transport System Phase II, Jomo Kenyatta Sports Ground, Jamhuri Gardens, Nyamasaria Bus Park, and Kaloleni Community Centre remained incomplete despite substantial payments, raising concerns over value for money. Finally, the Board of Management was found to lack financial and operational autonomy as envisaged under the Urban Areas and Cities Act, 2011, thereby undermining effective governance and accountability.

Honourable Speaker, in the Financial Year 2022/2023, the Auditor-General once again issued an adverse opinion, citing persistent and unresolved weaknesses. The Committee observed that the unsupported receivables of Kshs. 347,500,886 from the Kenya Urban Support Programme (KUSP) remained in the books despite the closure of the project, while trade and other payables/pending bills totaling Kshs. 414,688,082 were not supported by invoices or contracts. The failure to recognize assigned assets and to account for movements in non-current assets further undermined the integrity of the financial statements. Expenditures amounting to Kshs. 264,569,991 on goods and services, as well as staff costs of Kshs. 236,684,132, could not be confirmed for completeness and accuracy due to inadequate documentation and the absence of a separate payroll system. Budgetary underfunding and under-expenditure negatively affected service delivery, while several key projects; including the Non-Motorized Transport System Phase II, Jomo Kenyatta Sports Ground, Jamhuri Gardens, Nyamasaria Bus Park, and Kaloleni Community Centre were incomplete despite substantial financial commitments.

Honourable Speaker, in the Financial Year 2023/2024, the Auditor-General's opinion improved from adverse to qualified, signaling some progress though significant challenges persisted. The Committee noted that staff costs amounting to Kshs. 238,422,534 could not be confirmed due to the continued absence of a distinct payroll system for the City. Variances of Kshs. 20,749,308 were observed under transfers from the County Government, while property, plant, and equipment totaling Kshs. 432,608,059 were not fully supported, with payment vouchers worth Kshs. 29,040,000 and valuation documents for Kshs. 305,040,557 under work-in-progress not provided for audit. The Committee also observed persistent weaknesses in internal controls, non-implementation of audit recommendations, and lack of an internal audit function. While the gazettement of the transfer of functions in May 2024 marked a milestone towards operational autonomy of the City, the Board of Management was still not fully empowered to exercise financial independence, thereby limiting accountability and efficiency. For the projects, the Management consistently reported reductions in original contract deliverables/scope and declared the projects complete under revised scopes. However, the Committee observed that these revisions were not supported by adequate justification, formal approvals, or stakeholder correspondence. In most cases, no verified completion certificates or handover reports were availed, leaving uncertainty over actual usability. Furthermore, outstanding balances and de-scoped works lacked clear budgetary provision or financing plans, raising concerns over value for money and the sustainability of service delivery.

Honourable Speaker, across the three financial years under review, the Committee has recommended measures to strengthen accountability in the City of Kisumu financial management. The Committee has directed that unsupported receivables be reconciled, assets properly recognized and valued, expenditures and staff costs fully documented, a distinct payroll system established and the full operationalization of the City's autonomy as gazetted in May 2024 be fast-tracked.

On the matter of unsupported expenditure relating to use of goods and services, which was not supported with documentation during the time of audit and committee deliberations, the Committee has preferred a referral recommendation to the Ethics and Anti-Corruption Commission (EACC) for further investigation into possible loss of public funds.

These recommendations, if implemented, will go a long way in entrenching prudent financial management, ensuring value for money, and enhancing service delivery.

Honourable Speaker, I now wish to register my appreciation to fellow Honorable Members of the Committee, the Offices of the Speaker and the Clerk of the Assembly, Committee Secretariat and the Office of the Auditor General for facilitation and technical support that made the production of this report possible.

Honourable Speaker, on behalf of the Public Accounts and Investments Committee, I now wish to present the report on the consideration of the Auditor General's report on the Financial Statements of City of Kisumu FYs 2021/2022, 2022/2023 and 2023/2024

#### Establishment and Mandate of the Public Accounts and Investments Committee

Honourable Speaker, the Public Accounts and Investments Committee is established under Standing Order No. 188 of the Kisumu County Assembly Standing Orders and is mandated to undertake the following functions;

- i. Examination of the accounts showing the appropriations of the sum voted by the County Assembly to meet the public expenditure and of such other accounts laid before the House as the committee may think fit;
- ii. Examination of the working of the Public Investments
- iii. Examine the reports and accounts of the Public Investments and,
- iv. Examine in the context of the autonomy and efficiency of the public investments, whether the affairs of the public investments, are being managed in accordance with sound financial or business principles and prudent commercial practices.

### 1.2 Composition of the Public Accounts and Investments Committee

The Committee as currently constituted comprises of the following Honorable Members,

Table 1: Committee Membership as at February 2025

No	Name Members	Position
1.	Hon. Ken Ouko	Chairperson
2.	Hon. Tom Onditi	Vice Chairperson
3.	Hon. Seth Okumu	Member
4.	Hon. Nancy Matara	Member

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5.	Hon. Rueben Rakwach	Member
6.	Hon. James Were	Member
7.	Hon. James Omollo	Member
8.	Hon. Habil Nyasuna	Member
9.	Hon. Mickey Ochieng'	Member
	Secretariat	
1.	Austine Ochieng	Committee Clerk
2.	Chrispine Oguta	Committee Clerk Assistant
3.	Patrick Okoyo	Hansard Reporter
4.	Faith Judith	Sargent-at-arm
5.	CPA Naboth Odero	Internal Auditor
6.	CPA Mollen Achayo	Fiscal Analyst
7.	CPA Charles Ageng'o	Internal Auditor
8.	Wycliffe Owade	Researcher

#### Legal Framework & Guiding Principles - Legal Framework

Honourable Speaker, the Committee was guided by the following legal instruments;

1. Constitution of Kenya 2010: Article 229 (4) of the Constitution of Kenya, 2010 requires the Auditor General, within a period of six months after the end of each financial year, to audit and report, in respect of that financial year, on;
  - i. The accounts of the National and County governments,
  - ii. The accounts of all funds and authorities of the National and County governments,
  - iii. Accounts of all courts,
  - iv. The accounts of every commission and independent office established by this constitution,
  - v. The accounts of National Assembly, the Senate and the county assemblies,
  - vi. The accounts of the political parties funded from the public funds,
  - vii. The public debt and
  - viii. The accounts of any other entity that legislation requires the Auditor General to Audit

Article 229(8) further states that “within three months after receiving an audit report, parliament or county assembly shall debate and consider the report and take appropriate action”.

1. Direct Personal Liability: Article 226(5) of the Constitution is unequivocal that, if the holder of a Public Office or a political office, directs or approves the use of Public Funds contrary to the law or instruction, the person is liable for any loss arising from that use

and shall make good, the loss, whether the person remains the office holder or not.

2. Public Audit Act 2015; Section 7 mandates the Auditor General to: (i) Give assurance on the effectiveness of internal controls, risk management and overall governance at National and County Government; (ii) Undertake audit activities in state organs and public entities to confirm whether or not public money has been applied lawfully and in an effective way
3. Section 203(1) of the Public Finance Management Act, 2012 enacts that; a public officer is personally liable for any loss sustained by a County Government and is attributed to; (i) The fraudulent or corrupt conduct, or negligence of the officer or, (ii) The officer's having done any act prohibited by Sections 196, 197, and 198
4. Public Finance Management Act, 2012: Section 149 (1) of the Public Finance Management Act, 2012 which states that "An accounting officer is accountable to the County Assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is –
  - a) Lawful and authorized; and
  - b) Effective, efficient, economical and transparent"

#### Guiding Principles

Honourable Speaker, in the execution of its mandate, the Committee was guided by Constitutional and statutory principles on Public Finance Management.

These principles include the following;

Constitutional Principles on Public Finance: Article 201 of the Constitution of Kenya 2010 provides for fundamental principles aimed at guiding all aspects of Public Finance. It states that the principles are; inter alia;

- i). Openness and Accountability including public participation in financial matters;
- ii). Public money shall be used in a prudent and responsible way; and
- iii). Financial management shall be responsible and fiscal reporting shall be clear.

The Committee considered these legal provisions and guiding principles as the basis for holding to account public officers directly and personally liable for any loss of Public Funds that may occur under their watch.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CITY OF KISUMU FOR THE YEAR ENDED 30 JUNE 2022

Hon. Speaker,

The City Manager appeared before the Committee on three occasions to adduce evidence on the Audited Financial Statements of the City of Kisumu for the financial years 2021/2022, 2022/2023 and 2023/2024. The following officers represented the Office of the Auditor General in the Committee meetings;

1. Mr. Anthony Maina Mwangi -Office of the Auditor General
2. Mr. Kennedy Oenga -Office of the Auditor General

BASIS FOR ADVERSE OPINION FY 2021/2022

3.1 Transfers from the County Government

Honourable Speaker, the statement of financial performance reflects an amount of Kshs. 489,444,572 as had been transferred to the City while the County Government's financial statement reflects an amount of Kshs. 491,964,572. The resultant difference of Kshs. 2,520,000 has not been reconciled or explained. In the circumstances, the accuracy and completeness of the reported transfers from the County Government balance of Kshs. 489,444,572 could not be confirmed.

Management Response

Honourable Speaker, the City Board reported balances was accurate and complete on the transferred amount of Kshs. 489,444,572 and not Kshs. 491,964,572 as reported by the County Treasury. The difference was due to overstated payments amount of Kshs. 2,520,000 by the County Treasury captured in the payment details yet the amounts were voided in the system and listed as trade payables by City.

Committee Observations

1. That during deliberations, management presented evidence showing the City's transfer figure of Kshs. 489,444,572 was correct, and that the auditor's reported Kshs. 2,520,000 difference was from overstated County Treasury payments that were voided in the City's system and recorded as trade payables.
2. That the issue was satisfactorily addressed

### Committee Recommendation

That this matter is resolved

### 3.2 Unsupported Receivables

Honourable Speaker, the statement of financial position and Note 7 financial statements reflects receivables of Kshs. 347,500,886 which relates to amounts receivable from the Kenya Urban Support project (KUSP) for pending bills payable under a project financed by the World Bank. The amount is also accounted for as a credit as disclosed in Note 8 to the financial statements. However, the KUSP project reflected pending bills amounting to Kshs. 29,537,348. Management has not indicated how they intend to collect the outstanding debt considering that the project was ending on 30 June 2022. The debt is neither represented by any contracted works or services nor a binding obligation from KUSP to fund the City after project closure.

In the circumstance, the funding of the amount of Kshs. 347,500,886 disclosed as receivable in these financial statements appear doubtful

### Management Response

The amount of Kshs. 347,500,886 represents the outstanding debts from KUSP projects that World Bank funded as stated. Most of the projects stalled due to delayed payments caused by Non-Disbursement of Funds from World Bank through National Treasury and state department of Housing and Urban Development.

The County and City Management through H.E the Governor has officially requested the state department of Housing and Urban Development for Funding to bridge the funding gap to enable the completion and closing of all the outstanding contracts.

### Committee Observations

1. That the Committee concurs with the Auditor's classification of the Kshs. 347,500,886 receivables from KUSP as unsupported, based on the following grounds:
  - i. The KUSP project was set to close on 30 June 2022, with no binding obligation for KUSP or the State Department to settle the amount thereafter.
  - ii. KUSP's pending bills as recorded in their project statements amounted to only Kshs. 29,537,348, which contradicts the receivables recorded in the books of the City of Kisumu.
  - iii. The receivables was not supported by certified contracts, invoices, or records of works or services linked to KUSP.
  - iv. The amount is also recorded as a credit under "trade and other payables" (Note 8), creating inconsistencies in financial reporting.

- v. Management provided only a request letter to the State Department but no verifiable documentation or evidence to demonstrate the collectability of the outstanding amount.
2. That, based on the above facts, the Committee finds the Kshs. 347,500,886 receivable doubtful and unsupported.

#### Committee Recommendations

1. That, management, within sixty days of adoption of this report, submit to the Auditor-General and the Implementation Committee certified copies of invoices and/or contracts for works done during the period relating to the Kshs. 347,500,886 receivables, in order to confirm its validity.
2. That, within the same sixty days, management provides verifiable written confirmation from either the donor (World Bank/KUSP) or the County Government committing to settle the Kshs. 347,500,886 receivables.
3. That, if the documentation required under Recommendations 1 and 2 is not provided within the specified timeframe, the receivable should be reviewed for possible write-off in accordance with the Public Finance Management Act, 2012 and its Regulations.
4. That the matter remains unresolved.

#### 3.3 Misclassification of Expenditure

Honourable Speaker, the Statement of Financial Performance and Note 4 to the Financial Statements reflect Board allowances of Kshs. 24,527,703 which includes Office and general supplies amount of Kshs. 5,153,800. However, the expenditure was incurred on use of goods and services but charged to Board expenses.

In the circumstances, the accuracy of Board expenses of Kshs. 24,527,703 could not be confirmed.

#### Management Response

The City Board expense of Kshs. 5,153,800 in respect of Office and General Supplies were all charged under the Board and not under use of goods and services as stated above. All board expenses were charged under the board as some were done by the County on behalf of the Board. Attached are copies of the payment vouchers for the Board expenses.

#### Committee Observations

1. That during deliberations, management presented documentary evidence, including payment vouchers, confirming that the reported Kshs. 5,153,800 for Office and General Supplies was correctly charged under Board expenses as per their accounting practice
2. That the issue was satisfactorily addressed

### Committee Recommendations

1. That going forward, the City Management must clearly separate operating expenses from Board allowances to ensure accurate classification and reporting in the financial statements.
2. That this matter is resolved

### 3.4 Failure to recognize Assigned Assets

Honourable Speaker, the Statement of financial position reflects an amount of Kshs. 305,040,557 under non-current assets, which as disclosed in Note 5 to the financial statements relates to Urban Development Grant projects. However, the City has been assigned property, plant and equipment of unquantified value to enable it carry out its intended functions. These property, plant and equipment include premises, tractors, motor-vehicles and other equipment used by the Board. In addition, budgetary provisions were made to run the property, plant and equipment. However, no documentary evidence was provided to show the value of the property, plant and equipment assigned to the Board neither have they been reported in the financial statements in line with IPSAS.

In the circumstances, the completeness, accuracy and existence of the non-current assets balance of Kshs. 305,040,557 could not be confirmed.

### Management Response

The property, plant and equipment of unquantified value were transferred to enable city carry out its intended functions by the County Government without any official document. It's currently in the process of getting documentary evidence for the transfer that will enable it report in the financial statements in line with IPSAS.

### Committee Observations

That the City of Kisumu had been assigned property, plant, and equipment of unquantified value to enable it to carry out its functions; however, these assets had neither been valued nor recognized in the financial statements, contrary to Section 149(1)(j) of the Public Finance Management Act, 2012, which mandates proper management and accounting of public assets.

### Committee Recommendations

1. That within three months of adoption of this report, management must carry out a comprehensive valuation of all property, plant, and equipment assigned to the City Board and recognize the assets in the books of account as required by the Public Finance Management Act, 2012, and its Regulations.
2. That the matter is unresolved.

### 3.5 Unsupported Expenditure on use of Goods and Services

Honourable Speaker, the Statement of financial performance and Note 2 to the financial statements reflect amount of Kshs. 422,784,771 on use of goods and services. Included in this expenditure are expenses amounting to Kshs. 345,665,501 whose propriety, completeness and accuracy could not be confirmed as detailed below;

- i. The details of the assets maintained on repair and maintenance- other assets expenditure of Kshs. 307,905,382 was not provided.
- ii. Fuel, oils and lubricants insurance costs and routine maintenance expenses of Kshs. 18,000,000, Kshs. 10,135,700 and Kshs. 4,636,819 respectively incurred on motor vehicles could not be attributed to any particular motor vehicle.
- iii. The board reported Audit/legal fee amounting to Kshs 4,988,000 yet it was the first year of operation and no audit fee had been charged neither were there any legal cases against the board

In the circumstances, the completeness and accuracy on the expenditure amounting to Kshs 345,665,501 relating to use of goods and services could not be confirmed

#### Management Response

- i. The assets that the City Board is using are owned by the County Government as it's an entity within the County Government. The repairs and maintenance of the assets are done by the City as there is provision for the maintenance costs in the approved County Budget under the City vote head.
- ii. The vehicles and Equipment are for the County Government though allocated to be used by the City to enhance service delivery to the citizens. The operations and maintenance costs are met by the City as there is provision for the fuel and lubricants in the approved County Budget under the City vote head.
- iii. Legal fees amounted to Kshs. 4,988,000 in relation to legal cases that came up against the Board in the financial year.

#### Committee Observations

1. That the City reported expenditure of Kshs. 345,665,501 on use of goods and services whose completeness and accuracy could not be confirmed due to inadequate supporting documentation.
2. That specific gaps included:
  - a) Absence of detailed records for repairs and maintenance of assets;
  - b) Inability to attribute vehicle operating costs to specific vehicles; and
  - c) Unsupported legal fees.

3. That the reported audit fee of Kshs. 4,988,000 was questionable as it was the first year of operation, no audit fee had been levied, and no evidence was provided of services rendered.
4. That these weaknesses contravene Section 68(2)(a) of the Public Finance Management Act, 2012, which requires proper maintenance of supporting documents for all public expenditure.

#### Committee Recommendations

1. That, this matter be referred to the Ethics and Anti-Corruption Commission for further investigation of possible loss of public funds
2. That, the matter is unresolved.

#### 3.6 Staff Costs

Honourable Speaker, the Statement of financial performance and Note 3 to the financial statements reflect staff cost amounting to Kshs. 261,177,762. The Board came into being in the year under review and there was no evidence of employment or deployment of staff to the Board. Records provided for audit indicated that an amount of Kshs. 225,730,050 was incurred by the County Executive on behalf of the Board on unidentified number of staffs in respect to staff costs, while the Board recorded an amount of Kshs. 261,177,762 resulting to unreconciled and unexplained difference of Kshs. 35,447,712.

In the circumstances, the accuracy and completeness of staff cost amounting to Kshs. 261,177,762 and the number of staff members deployed to the Board could not be confirmed.

#### Management Response

The City Board payroll is still under the County Government hence controls the payment of staffs under the personnel and emoluments costs as stated in the County Budget. Kshs. 261,177,762 were paid on behalf of the entity by the County Government as the payroll is still consolidated as one both for City board and the County Government

#### Committee Observations

1. That, the City of Kisumu lacks its own payroll system, making it difficult to accurately track, verify, and report staff costs specific to the City.
2. That, the reported staff costs amounting to Kshs. 261,177,762 could not be confirmed for completeness and accuracy due to the absence of supporting records, including the number and details of staff deployed to the City.

3. That, there exists an unreconciled and unexplained difference of Kshs. 35,447,712 between the amount incurred by the County Executive on behalf of the Board and the amount recorded in the Board's financial statements.

#### Committee Recommendations

1. That, management establish and maintain a separate payroll system to enable clear identification, verification, and reporting of staff costs incurred by the City.
2. That, management, within thirty (30) days of adoption of this report, submits a detailed staff cost schedule to the Auditor General and this Assembly. The schedule should include the number of staff, their names, job titles, terms of secondment, and reconciliation of the Kshs. 35,447,712 difference.
3. That, the matter is unresolved.

#### 3.7 Budgetary Control Performance

Honourable Speaker, The Statement of Comparison of budget and actual amounts reflects final receipts budget and actual amounts on a comparable basis of Kshs. 867,037,619 and Kshs. 795,880,251 respectively, resulting to an underfunding of Kshs. 71,157,368 (or 8%) of the budget. Similarly, the Board expended Ksh. 1,013,530,794 against an approved budget of Kshs. 867,037,619 resulting to an under-expenditure of Kshs. 146,493,175 (or 16%) of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public

#### Management Response

It's true that there was underfunding and underperformance, which were explained in the footnote as explained below;

1. Transfers from the County Government Kshs. 489,444,572 against the budgeted amount of Kshs. 867,037,619 and amount due to non-payment of committed vouchers totaling to Kshs. 219,455,515 (Payables)
2. The budgeted amount for the donations (UDG) was Kshs. 135,397,875 and the received amount was Kshs. 306,435,679 which is above the budgeted amount by Kshs. 171,037,804
3. The amount of Kshs. 220,312,900 in the adjustment column of the final budget was for completion of Kibuye Market under use of goods and services
4. The three above led to the variance of Kshs. 146, 493,175 (16%) of the budget as analyzed.

### Committee Observations

1. That, the City of Kisumu experienced an underfunding of Kshs. 71,157,368 and an under-expenditure of Kshs. 146,493,175 against the approved budget.
2. That, the variance between budgeted and actual amounts was due to under-funding from the County Government, receipt of higher amount from donations (UDG) than budgeted and budget adjustments for completion of Kibuye Market.
3. That, the underfunding and under-expenditure negatively impacted the timely execution of planned activities, thereby affecting service delivery to the public.

### Committee Recommendations

1. That going forward management put in place measures to ensure accurate and realistic budgeting and optimal absorption of the budget to avoid underfunding and under-expenditure.
2. That the matter resolved.

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

### 4.1 Incomplete Projects

Honourable Speaker, the statement of financial position reflects Kshs. 305,040,557 in respect of property, plant, and equipment, which includes Kshs. 202,641,507 paid on 5 projects during the year under review. However, examination of the contract documents revealed the following;

#### 4.1.1 Construction of the Non-Motorized Transport System Phase 2

Honourable Speaker, the Management signed a contract on 4<sup>th</sup> August, 2020, for the construction of the non-motorized transport system phase 2 at a contract sum of Kshs. 659,065,834, implementation period of twenty-four months, and expected completion date of 3 August 2022. During the year under review, the contractor was paid Kshs. 124,418,106 leading to cumulative total payments of Kshs. 455,409,872 or 69% of the contract sum, and the actual completion status was estimated at 75%. However, physical verification carried out in December 2022 revealed that the project had been partially completed and was in use, but the contractor was not on site, and the performance bond had expired.

### Management Response

The projects had been partially completed and are in use; however, contractor was not on site due to delayed payment of the pending certificates. The performance bond for the above project had expired at the time of audit however, the City of Kisumu through a letter dated 8<sup>th</sup> July 2021 requested contractor to renew their performance bond.

### Committee Observations

Honourable Speaker, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appeared in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

### Committee Recommendations

That, the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

#### 4.1.2 Improvement of Jomo Kenyatta Sports Ground

Honourable Speaker, the Management signed a contract sum on 14<sup>th</sup> August, 2020 for the improvement of Jomo Kenyatta Sports Ground at a contract sum of Kshs. 111,328,291, implementation period of twenty-four months and expected completion date of 13, August 2022. During the year under review, the contractor was paid Kshs. 11,158,404 leading to cumulative payments of Kshs. 56,739,433 or 51% of the contract sum and the actual completion status was estimated at 88%. However, physical verification done in December 2022 revealed that the project had been partially completed and was in use, but the contractor was not on site and the performance bond had expired.

### Management Response

The projects had been partially completed and are in use, however, the contractor is on site but delayed payment of the pending certificates has led to slow progress. The performance bond had expired at the time of audit however, City of Kisumu through a letter dated 8<sup>th</sup> July requested contractor to renew their performance bond.

### Committee Observations

Honourable Speaker, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

### Committee Recommendations

That, the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

#### 4.1.3 Upgrade of Jamhuri Gardens, Market Park, Botanical Garden and Streetscaping

Honourable Speaker, the management signed a contract on 7 August, 2020 for the upgrade of Jamhuri gardens, market park, botanical garden and streetscaping at a contract sum of Kshs. 111,756,241, implementation period of twenty four months and expected completion date of 6 August, 2022. During the year under review, the contractor was paid Kshs. 30,947,435 leading to cumulative total payments of Kshs. 93,811,760 or 84% of the contract sum and the actual completion status was estimated at 88%. Physical verification in December, 2022 revealed that the market park had been completed and in use. However, the contractor was on site undertaking the swimming pool at Jamhuri Park but the performance bond had expired.

#### Management Response

Market/Park and streetscaping is complete, Jamhuri Garden is partially complete and at the time of audit the contractor was on site finishing the remaining works but delayed payment of the pending certificates has led to slow progress. The performance bond for the project expired, however, City of Kisumu through a letter dated 8<sup>th</sup> July requested for the extension of the same.

#### Committee Observations

Honourable Speaker, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

#### Committee Recommendations

That, the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

#### 4.1.4 Construction of Nyamasaria Bus Park

Honourable Speaker, the management signed a contract on 4 August, 2020 for the construction of Nyamasaria Bus Park at a contract sum of Kshs. 99,883,902, implementation period of twenty-four months and expected completion date of 3 August, 2022. During the year under review, the contractor was paid Kshs. 14,084,782 leading to cumulative total payments of Kshs. 99,883,902 or 100% of the sum and the actual completion status was estimated at 95%. However, physical verification in December, 2022 revealed that the project was not complete, the contractor was not on site and the performance bond had expired.

### Management Response

The works are substantially completed and only require completion of minor works remaining, the contractor not on site due to non-payment of the pending certificates

The performance bond for the above expired at the time of audit however City of Kisumu requested for the renewal of performance bond through a letter dated 8<sup>th</sup> July 2021.

### Committee Observations

The Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

### Committee Recommendation

That, the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

#### 4.1.5 Construction of Kaloleni Community Centre

Honourable Speaker, the management signed a contract on 7 August, 2020 for the construction of Kaloleni Community Centre at a contract sum of Kshs. 151,468,960 implementation period of twenty-four and expected completion date of 6 August, 2022. During the financial year under review, the contract was paid Kshs. 22,032,780 leading to a cumulative total payment of kshs. 53,229,171 or 35% of the contract sum and the actual Completion status was estimated at 68%. However, physical verification in December, 2022 revealed that the project had been suspended due to funding delays and the performance bond had expired.

In the circumstances, the value for money received from the public funds of Kshs. 202,641,507 spent on construction of the projects during the year under review could not be confirmed and the management was in breach of law.

### Management Response

The contractor officially suspended the works due to non-payment of the pending certificates.

The performance bond of the above tender expired at the time of audit however City of Kisumu through a letter dated 8<sup>th</sup> July 2021 requested for the renewal of performance bond.

### Committee Observations

Honourable Speaker, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

#### Committee Recommendation

That the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

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

#### 5.1 Lack of autonomy of the Board of Management

Honourable Speaker, during the audit it was noted that Management of the Kisumu City was not fully autonomous as envisaged in the Urban Areas and Cities Act, 2011. Further, the Board had been fully constituted and operational, but the financial management was with the County Executive on behalf of the City.

In the circumstances, the Board could not carry its roles as envisaged.

#### Management Response

It is true City of Kisumu has not gained full autonomy as envisaged in the Urban Areas and Cities Act, 2011. However, the County Government is in the process of ensuring that the City Management carries out its operations as stipulated in the law.

#### Committee Observations

The Committee reviewed the audit reports for FY 2021/2022, FY 2022/2023, and FY 2023/2024 and noted that the issue under review appears in all three reports. Given that the FY 2023/2024 findings and recommendations are the most recent and comprehensive, the Committee resolves that the earlier findings from FY 2021/2022 and FY 2022/2023 are superseded. Accordingly, detailed observations and recommendations from these earlier years are not included in this section.

#### Committee Recommendation

That, the Committee adopts the observations and recommendations for the issue under review as presented in the FY 2023/2024 Audit Report.

## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CITY OF KISUMU FOR THE YEAR ENDED 30 JUNE 2023

## BASIS FOR ADVERSE OPINION

## 6.1 Unsupported Receivables

Honourable Speaker, the statement of financial position and as disclosed in Note 9 to the financial statements, reflects an amount of Kshs 347,500,886 relating to receivables from non-exchange transactions. As reported in the previous year, the amount of Kshs. 347,500,886 related to amounts receivable from the Kenya Urban Support Project (KUSP) for pending payable under a Project financed by the World Bank. However, the KUSP project financial statements had no pending bills payable as at 30 June 2023. The amount is also accounted for as a credit and is part of trade and other payables disclosed in Note 10 to the financial statements.

Management has not indicated how the amount of Kshs. 347,500,886 will be collected considering that the Project ended on 30 June, 2022. In addition, the debt was neither represented by any contracted works or services nor a binding obligation from KUSP to fund the City after project closure.

In the circumstances, the funding of the amount of Kshs. 347,500,886 disclosed as receivable in these financial statements is doubtful.

## Management Response

Honourable Speaker, the amount of Ksh. 347,500,886 represents the outstanding debts for KUSP projects that the World Bank funded, as stated. The County and City Management, through H.E. the Governor, requested the State Department of Housing and Urban Development for funding to bridge the funding gap to enable closing of all the outstanding contracts. While awaiting the response, the county government has agreed to settle all the KUSP pending bills. Annex 1(A) and (B).

## Committee Observations

1. That, the Committee concurs with the Auditor's classification of the Kshs. 347,500,886 receivable from the Kenya Urban Support Project (KUSP) as unsupported, based on the following grounds:
  - a) The KUSP project officially closed on 30 June 2022, and there was no existing contract, agreement, or other binding obligation requiring KUSP or the State Department of Housing and Urban Development to pay this amount after project closure.
  - b) KUSP's audited financial statements as at 30 June 2023 show no pending bills payable, contradicting the receivable recorded in the County's books.

- c) The receivable is not supported by any certified contracts, invoices, or records of works or services linked to KUSP, meaning there is no tangible evidence of deliverables justifying the amount.
  - d) The amount is also recorded as a credit under “trade and other payables” (Note 10), creating inconsistencies in financial reporting and casting doubt on the accuracy of the figure.
  - e) That management only provided a request for funding from the State Department and indicated that the County has committed to settle the pending bills internally, but did not provide verifiable documentation or credible evidence to support this commitment or demonstrate the collectability of the outstanding amount.
2. That, based on the above facts, the Committee finds the Kshs. 347,500,886 receivable, doubtful, and unsupported.

#### Committee Recommendations

1. That, the recommendations on the matter in the previous financial year be adopted
2. That, the matter is unresolved.

#### 6.2 Unsupported Trade and Other Payables

Honourable Speaker, the statement of financial position and as disclosed in Note 10 to the financial statements reflects an amount of Kshs. 414,688,082 relating to trade and other payables. This amount is a net of the brought forward amount of Kshs. 566,956,402, additional amount in the year of Kshs. 64,454,848 and an amount of Kshs. 216,723,169 that was paid during the year. However, the current year’s additional trade and other payables figure of Kshs. 64,454,848 was not supported with original unpaid supplier invoices while a brought forward amount of Kshs. 347,500,886 was also not supported by unpaid invoices and contracts for works or services rendered.

In the circumstances, the completeness and accuracy of the disclosed trade and other payables balance could not be confirmed.

#### Management Response

Trade payables of Kshs 64,454,848 relate to the payments that were to be paid by the county executive on behalf of the city, while 347,500,886 was to be received from the World Bank as funding for KUSP projects. The management has noted the omission and has attached the supporting documents. Annex 2(A) and 2(B).

## Committee Observations

1. That, the financial statements include trade and other payables amounting to Kshs. 414,688,082 as disclosed in Note 10. Management explained that this figure comprises:
  - a) A brought-forward balance of Kshs. 347,500,886, representing pending bills under the Kenya Urban Support Programme (KUSP). However, the KUSP contract had expired by the time of audit, and there was no binding agreement or obligation from the World Bank or the State Department to settle these bills.
  - b) Current-year debts of Kshs. 64,454,848, which management stated were to be paid by the County Executive on behalf of the City. However, no formal commitment, agreement, or budgetary allocation was provided to substantiate this claim.
2. That, neither the Kshs. 347,500,886 associated with KUSP contract nor the Kshs. 64,454,848 current-year debts were supported by original supplier invoices or signed contracts for work or services rendered.
3. That, despite management presenting a list of payables, it failed to submit the corresponding invoices or contract documentation necessary to substantiate the balances, as requested by the Auditor.
4. That, based on the absence of contractual commitments and supporting documentation, the total amount of Kshs. 414,688,082 reflected in the financial statements remains unsupported and questionable, thereby affirming the Auditor's classification.

## Committee Recommendations

1. That, management shall, within sixty days upon adoption of this report, submit to the Office of the Auditor General and this Assembly certified copies of invoices and/or signed contracts for the works or services relating to both the Kshs. 347,500,886 brought forward balance and the Kshs. 64,454,848 current year additions, in order to confirm their validity.
2. That, if the documents required under Recommendation 1 are not provided within sixty (60) days of adoption of this report, the related transactions shall be treated as invalid, and the Accounting Officer shall not authorize any payments related to them.
3. The matter is unresolved

## 6.3 Failure to Recognize Assigned Assets

Honourable Speaker, the statement of financial position reflects an amount of Kshs. 1,275,301 under non-current assets, which as disclosed in Note 12 to the financial statements relates to ongoing construction of social hall. The City Board has been assigned property, plant and equipment of unquantified value to enable it carry out its functions but these assets have not been

reported in the financial statements. In addition, the movement between the prior year reported figure of non-currents asset of Kshs. 305,040,557 and current year figure Kshs. 1,275,301 was not documented. The reduction of non-current assets by 303,765,256 or disposal of assets previously held by the Board was not explained and no documents were provided to support the movement lacked a valid explanation as to why most assets hadn't been disclosed.

In the circumstances, the completeness, accuracy and existence of the non-current assets disclosed at Kshs. 1,275,301 could not be confirmed.

#### Management Response

It is true the city management noted the variance and is working together with OAG to establish the cause from prior year

#### Committee Observations

1. The Committee noted that the financial statements reflect non-current assets amounting to Kshs. 1,275,301, compared to the prior year's balance of Kshs. 305,040,557. This represents a variance of Kshs. 303,765,256, which was neither documented nor explained.
2. The Committee further noted that the City had been assigned property, plant, and equipment of unquantified value to enable it to carry out its functions. However, these assets have neither been valued nor recognized in the financial statements. This omission is in contravention of Section 149(1) (j) of the Public Finance Management Act, 2012, which mandates proper management and accounting of public assets.
3. The matter is unresolved

#### Committee Recommendations

1. That, management shall, within three months upon adoption of this report, carry out a comprehensive valuation of all property, plant, and equipment assigned to the City Board and recognize them in their books of accounts as required by the Public Finance Management Act, 2012, and its Regulations.
2. That, within three months, management shall provide documentary evidence explaining the variance of Kshs. 303,765,256 between the prior and current year's non-current asset balances.
3. That, the matter is unresolved

#### 6.4 Unsupported Use of Goods and Services

Honourable Speaker, the statement of financial performance reflects an amount of Kshs. 264,569,991 under use of goods and services. This amount, and as disclosed in Note 4 A to the financial statements relates to amounts paid in cash of Kshs. 200,115,143 and an amount of

Kshs. 64,454,848. However, the completeness, accuracy and the propriety of the expenditure could not be confirmed due to the following;

- (i) The routine maintenance costs on buildings, vehicles, other assets and other equipment as reported in Note 5 of the financial statements all totaling to Kshs. 77,147,704 was not supported. Although payment vouchers were provided for audit verification, the service could not be matched to specific assets as these assets were not recorded in the books of the City.
- (ii) The City incurred an amount of Kshs. 33,500,000 on fuel, oil and lubricants. However, the details of the motor vehicle services were not provided for audit.

In the circumstances, the cost of goods and services, amounting to Kshs.264, 569,991 could not be confirmed

#### Management response

Honourable Speaker, the assets that the city board is using are owned by the county Government as transfer of ownership is yet to be done. The repairs and maintenance of the Assets are done by the city as there is provision for the maintenance costs in the approved County Budget. Attached is the copy of the approved county Budget under the city vote head.

The Vehicles and Equipment are for the county Government though allocated to be used by the city to enhance service delivery to the citizens. The operations and maintenance costs are met by the city as there is a provision for the fuel and lubricants in the approved County Budget under the city vote head. Annexes 4 (a), (b) and (c).

#### Committee Observations

1. That the routine maintenance costs amounting to Kshs. 77,147,704 could not be matched to specific assets. Although payment vouchers were provided, the corresponding assets were not recorded in the City's asset register.
2. That the fuel, oil, and lubricants expenditure totaling Kshs. 33,500,000 lacked sufficient details of the motor vehicles serviced, and some of the vehicles involved were not recorded in the City's books.
3. That this failure to maintain complete and updated asset records directly contributed to the inability to verify these expenditures. This is contrary to Section 68(2)(a) of the Public Finance Management Act, 2012, which requires all expenditures to be supported by proper records and documentation.

### Committee Recommendations

1. That management shall urgently update and maintain a comprehensive and accurate asset register, ensuring all assets are properly recorded. The Auditor General to follow up in the audit of subsequent years
2. That management shall ensure that, in future, all fuel, oil, and lubricant expenditures are supported by detailed records, including identification of the specific vehicles serviced.
3. The matter is unresolved.

### 6.5 Unsupported Staff Costs

Honourable Speaker, the statement of financial performance reflects an amount of Kshs. 236,684,132 under staff costs. However, these are the staff members seconded to the City but whose salaries were paid directly by the County Executive. No records were provided to show the number of staff members who were seconded to the City of Kisumu.

In the circumstances, the completeness and accuracy of the reported staff costs totaling to Kshs.236, 684,132 could not be confirmed.

### Management Response

The City Board payroll is still under the county Government, hence controls the payment of staffs under the personnel and emoluments costs as stated in the county Budget. Kshs. 236,684,132 were paid on behalf of the city board by the county Government as the payroll is still consolidated as one for both the city board and the County Government.

### Committee Observations

1. That, the City of Kisumu lacks its own payroll system, making it difficult to accurately track, verify, and report staff costs specific to the City.
2. That, the amount of Kshs. 236,684,132 reported as staff costs could not be confirmed for completeness and accuracy due to the absence of supporting records.

### Committee Recommendations

1. That, management establishes and maintains a separate payroll system to enable clear identification, verification, and reporting of staff costs incurred by the City.
2. That, management, within thirty (30) days of the adoption of this report, submits a detailed staff cost schedule to the Auditor General and the Implementation Committee. The schedule should include the number of staff, their names, job titles, and terms of secondment.

3. That, failure to comply with Recommendation 2 within the stipulated timeframe shall result in the matter being referred to the relevant oversight authorities for further investigation and appropriate action.
4. That, the matter is unresolved

#### 6.6 Budgetary Control and Performance

Honourable Speaker, the statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on a comparable basis of Kshs.582, 033,100 and Kshs.461, 764,300 respectively, resulting to an underfunding of Kshs.120, 268,800 (or 21%) of the budget. Similarly, the Board expended Kshs.527, 487,508 against an approved budget of Kshs.578, 134,481 resulting to an under-expenditure of Kshs.50, 646,973 (or 9%) of the budget.

The underfunding and under-expenditure affected the planned activities and may have negatively affected on service delivery to the public

#### Management Response

It's true the statement of budget comparison on receipts resulted to underfunding due to non-payment of all the amounts committed during the financial year. The under expenditure also occurred as most of the commitments were not paid on time.

#### Committee Observation

That, the Committee observes with concern a significant underfunding of Kshs. 120,268,800 and an under-expenditure of Kshs. 50,646,973 during the financial year. Management attributed this to non-payment of committed funds and delays in settling financial obligations.

#### Committee Recommendations

1. That, management improve budget monitoring and cash flow planning to ensure timely funding and implementation of planned activities, in order to maintain consistent service delivery.
2. That, the matter is resolved

#### 6.7 Pending Bills

##### 6.7.1 Construction of the Non-motorized Transport System Phase 2

Honourable Speaker, the management signed a contract on 4 August, 2020 for the construction of a non-motorized transport system phase 2 at a contract sum of Kshs.659, 065,834, and an implementation period of twenty-four (24) months and expected completion date of 3 August, 2022. During the year under review, the contractor was not paid and thus cumulative total payments remained at Kshs.455, 409,872 or 69% of the contract sum and the actual completion status was estimated at 75%.

Honourable Speaker, physical verification carried out in November 2023, revealed that the Project remains incomplete and in the same state as reported previously, management has indicated that the incomplete works have been removed from the original contract scope. The revised completed scope forms 75% of the original contract. The Final Contract sum at handing over is Kshs.499,352,062.77 and the de-scoped works of 24% to be packaged and implemented in the next KUSP. The amount paid to date for the revised scope is Kshs.455,409,873 with a balance of Kshs.43,942,189.77 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects to date could not be confirmed and the Management was in breach of the law.

#### Management Response

It is true that at the time of audit, the project had been partially completed and was in use. It should be noted that the project was clustered in 3 separate Lots with each Lot having distinct roads/Streets to be covered. The revised scope has been completed and taken over in accordance with Clause 10.1 (Taking over of the Works and Sections) of the condition of contract. The revised final statement of account is KES 513,796,700.07. This is 78% of the original contract but representing 100% of completed works as per the revised scope (see Summary Below). The amount paid to date is KES 446,584,158.52 exclusive of Taxes and retentions to be released. The outstanding payment due to the contractor is KES 43,742,218.87 (inclusive taxes after recovery of the outstanding advance payments).

#### Committee Observations

The Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

#### Committee Recommendation

That the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

#### 6.7.2 Improvement of Jomo Kenyatta Sport grounds

Honourable Speaker, the management signed a contract on 14 August, 2020 for the improvement of Jomo Kenyatta sports ground at a contract sum of Kshs. 111,328,291, and an implementation period of twenty-four (24) months and expected completion date of 13 August, 2022. During the year under review, the contractor was not paid leading to cumulative total

payments of Kshs.56, 739,433 or 51% of the contract sum and the actual completion status was estimated at 88%. Physical verification done in November 2023, revealed that the Project remains incomplete and in the same state as reported, management has indicated that the incomplete works have been removed from the original contract scope and are now planned for implementation in phase II.

The revised completed scope forms 84% of the original contract. The Final Contract sum at handing over is Kshs.93, 832,288. The de-scoped works of 16% to be packaged and implemented in the next Kenya Urban Support (KUSP) Project Phase II. The amount paid to date for the revised scope is Kshs.56, 739,433 with a balance of Kshs.37, 092,855.65 committed to be paid by the county executive in the next financial year. However, there is no evidence that the World Bank will finance Phase II of the project.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and the Management was in breach of the law.

#### Management Response

Honourable Speaker, it is true that at the time of audit, the project had been partially completed and was in use. It should be noted that due to funding challenges, the scope of the project was revised to accommodate all the essential works required for operationalization of the park. To date the City has taken over the park in accordance with Clause 10.1 (Taking over of the Works and Sections) of the condition of contract, opened up for use by the public and a management firm put in place. The non-critical items have been packaged to be implemented in the next phase.

The revised final statement of account is KES 93, 832,288. This is 84.3% of the original contract but representing 100% of completed works as per the revised scope).

Annexed 1.2(a) Completion certificate, 1.2(b) Summary of the signed Final Statement of account

#### Committee Observations

Honourable Speaker, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

#### Committee Recommendation

That, the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

### 6.7.3 Upgrade of Jamhuri Gardens, Market Park, Botanical Garden, and Street Escaping

Honourable Speaker, Honourable members, the management signed a contract on 7 August, 2020 for the Upgrade of Jamhuri gardens, Market Park, botanical garden and streets aping at a contract sum of Kshs.111, 756,241, implementation period of twenty-four (24) months and expected completion date of 6 August, 2022. During the year under review, the contractor was not paid leading to cumulative total payments of Kshs.93, 811,760 or 84% of the contract sum and the actual completion status was estimated at 88%. Physical verification in November 2023 revealed that the market park was not completed but was in use.

The revised completed scope forms 95% of the original contract. The Final Contract sum at handing over is Kshs.105, 959,233.85. The de-scoped works of 5% to be packaged and implemented in the next KUSP. The amount paid to date for the revised scope is Kshs.93, 811,760.00 with a balance of Kshs.12, 147,473.85 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and the Management was in breach of the law.

#### Management Response

It is true that at the time of audit, the project had been partially completed and was in use. It should be noted that due to funding challenges, the scope of the project was revised to accommodate all the essential works required for operationalization of the park. To date the City has taken over the park in accordance with Clause 10.1 (Taking over of the Works and Sections) of the condition of contract, opened up for use by the public and a management firm put in place. The non-critical items have been packaged to be implemented in the next phase.

The revised final statement of account is KES 105,959,233.85. This is 94.8% of the original contract but represents 100% of completed works as per the revised scope. Annexed 1.3(a) Completion certificate, 1.3(b) Summary of the signed Final Statement of account

#### Committee Observations

Honourable Speaker, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

### Committee Recommendations

That the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

#### 6.7.4 Construction of Nyamasaria Bus Park

Honourable Speaker, the management signed a contract on 4 August, 2020 for the construction of Nyamasaria Bus Park at a contract sum of Kshs.99, 883,902, implementation period of twenty-four (24) months and expected completion date of 3 August, 2022. During the year under review, the contractor was not paid leading to cumulative total payments of Kshs.99, 883,902 or 100% of the contract sum and the actual completion status was estimated at 95%. However, physical verification in November 2023 revealed that the project was not complete, the contractor was not on site

The projected final account at handing over is Kshs.105, 959,233.85. The amount paid to date for the certified works Kshs.65,253,146 with a pending certificate of Kshs.16,605,870.22 and uncertified amount of Kshs.19,776,469.46 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and the Management was in breach of the law.

### Management Response

It is true that at the time of audit, the project had not been completed due to funding challenges. The contractor resumed work on site and completed the works. The project practically completed on the 16/2/2024. To date the process of operationalization of the park is ongoing with the stake holders.

The revised final statement of account is KES 104,400,481.40.

Annexed 1.4(a) Summary of the signed Final Statement of account and 1.4(b) Contract Addendum No. 3.

### Committee Observations

Honourable Speaker, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

## Committee Recommendations

That the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

### 6.7.5 Construction of Kaloleni Community Centre

Honourable Speaker, the management signed a contract on 7 August, 2020 for the construction of Kaloleni Community Centre at a contract sum of Kshs.151, 468,960, implementation period of twenty-four (24) months and expected completion date of 6 August, 2022. During the year under review, the contractor was paid Kshs.22,032,780 leading to cumulative total payments of Kshs.53,229,171 or 35% of the contract sum and the actual completion status was estimated at 68%. However, physical verification in November, 2023 revealed that the project had been suspended due to funding delays

The projected final account at handing over is Kshs.151, 468,960. The amount paid to date for the certified works is Kshs. 57,085,760 with a pending certificate of Kshs.38, 346,934.55 and uncertified amount of Kshs.56, 036,265.45 committed to be paid by the county executive in the next financial year.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and the Management was in breach of the law.

### Management Response

It is true that at the time of audit the contractor had officially suspended the works due to non-payment of the pending Certificates in accordance with Clause 16.1 & 16.2 of the condition of contract. The City has since prepared a final accounts for completed works due for payment and repackage the outstanding works to be implemented in the subsequent budgets.

The final statement of account ‘AS IS’ is KES 85,272,222.76. This is 56.3% of the original contract for actual verified and certified works. The amount paid to date is KES 52,094,647.32 exclusive of Taxes and retentions to be released. The outstanding payment due to the contractor is KES 29,149,198.02 (inclusive taxes after recovery of the outstanding advance payments)

Annexed 1.5(a) Summary of the signed Final Statement of account, 1.5(b) Suspension letter.

### Committee Observations

Honourable Speaker, Honourable members, the Committee reviewed the audit reports for FY 2021/2022 and FY 2022/2023 and noted that the project under review also appears in the FY 2023/2024 report. Given that the 2023/2024 findings and recommendations are more recent and comprehensive, the Committee resolves that the earlier findings are superseded. Accordingly, detailed observations and recommendations from FY 2021/2022 and FY 2022/2023 are not included in this report.

### Committee Recommendation

That, the Committee adopts the observations and recommendations for the project under review as presented in the FY 2023/2024 Audit Report.

#### 6.7.6 Lack of autonomy for the Board of Management

Honourable Speaker, Honourable members, during the audit, it was noted that the management of the City of Kisumu was not autonomous as envisaged in the Urban Areas and Cities Act, 2011. Further, the Board had been fully constituted and operational, but the financial management was with the County Executive as all the payments, except for very few transactions were done by the County Executive on behalf of the

In the circumstances, the Board could not carry its roles as envisaged.

### Management Response

It is true that City of Kisumu has not gained full autonomy by the time of audit as envisaged in the Urban Areas and Cities Act, 2011. However, transfer of functions to City of Kisumu was done vide Gazette notice no 6298 of 24<sup>th</sup> May 2024 which is a big milestone towards attaining full autonomy. See ANNEX 9

Honourable Speaker, Honourable members, the city management is working in collaboration with the executive through the cabinet on key areas such as gazette, transfer of function and staff to ensure completion of the process as per attached documents

### Committee Observations

1. That, the management of the City of Kisumu has not yet attained full autonomy as envisaged under the Urban Areas and Cities Act, 2011, which limits the Board's ability to independently carry out its roles.
2. That, progress towards autonomy is ongoing, as noted by the issuance of Gazette Notice No. 6298 of 24th May 2024, with collaborative efforts between City management and the County Executive to complete the transfer of functions and staff.

### Committee Recommendations

1. That, management expedite efforts to fully operationalize the autonomy of the City of Kisumu as provided under the Urban Areas and Cities Act, 2011.
2. That, the matter is unresolved

## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF CITY OF KISUMU FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024

### BASIS FOR QUALIFIED OPINION

#### 7.1 Unsupported Staff Cost

Honourable Speaker, Honourable members, the statement of financial performance reflects an amount of Kshs.238, 422,534 in respect of staff cost. However, the expenditure relates to payments of salaries for both staff of the County Executive of Kisumu and the City of Kisumu and therefore it was not possible to confirm the staff cost expenditure that relate to the City of Kisumu. In the circumstances, the accuracy and completeness of the reported staff cost of Kshs.238,422,534 could not be confirmed.

#### Management Response

We acknowledge the observation made by your team. We have been Unable to achieve the separation of salaries expenditures owing to the fact that salaries are centrally processed by the executive. However, given the advanced stage the Autonomy process has reached, we shall be having our own payroll management System delinked from the executive as evidenced in the gazette of transfer of functions gazette Notice No. 71 dated 24th May 2024. Annex 1

#### Committee Observations

1. That, the City of Kisumu lacks its own payroll system, making it difficult to accurately track, verify, and report staff costs specific to the City.
2. That, the reported staff costs of Kshs. 238,422,534 could not be confirmed for completeness and accuracy due to the absence of supporting records.

#### Committee Recommendations

1. That, management establishes and maintains a separate payroll system to enable clear identification, verification, and reporting of staff costs incurred by the City.
2. That, management, within thirty (30) days of the adoption of this report, submits a detailed staff cost schedule to the Auditor General. The schedule should include the number of staff, their names, job titles, and terms of secondment.

3. That the matter is unresolved

#### 7.2 Variances under Transfer from the County Government

Honourable Speaker, Honourable members, the statement of financial performance reflects an amount of Kshs.402, 159,385 in respect of transfers from the County Government. However, the Kisumu County Executive financial statement reflect an amount of Kshs.422,908,693 resulting to unexplained and unreconciled variance of Kshs.20,749,308. Further, note 6 to the financial statement reflects an amount of Kshs.426,594,893 in respect of transfers from the County Government resulting to unexplained and unreconciled variance of Kshs.24,436. In the circumstances, the accuracy and validity of the transfers from the County Government of Kisumu of Kshs.402,159,385 for the year ended 30 June, 2024 could not be confirmed.

#### Management Response

- i. City of Kisumu received Kshs. 426,594,893 as transfers to city and payments made on behalf of the entity as tabulated hereunder and which is also reflected in Note 6(a) of the amended financial statements
- ii. The above variance of Kshs. 3,686,146 is attributed to salaries processed in the year 2024/2025 owing to cut off procedures. City prepares its books under accrual concept while the executive under cash basis as per PSASB

#### Committee Observations

1. That, Note 6 to the financial statements reflects transfers of Kshs. 426,594,893, compared to the reported amount of Kshs. 402,159,385 in the same financial statements, resulting in a variance of Kshs. 24,435,508.
2. That, during Committee deliberations, Management clarified that the variance arose because only Kshs. 402,159,385 was received directly by the City, while Kshs. 24,435,508 was paid directly by the County Executive on behalf of the City to third parties.
3. That, based on the clarification and supporting documentation presented during Committee deliberations, the Committee was satisfied with Management's explanation and resolved the matter.

#### Committee Recommendations

1. That, Management ensures accurate presentation of financial reports in full compliance with the PSASB reporting template going forward.
2. That, the issue is considered resolved.

### 7.3 Unsupported Property, Plant and Equipment

Honourable Speaker, Honourable members, the statement of financial position reflects property, plant and equipment balance of Kshs.432, 608,059 which includes additions for the year amounting to Kshs.136, 770,854. However, during the audit, two (2) payment vouchers amounting to Kshs.29, 040,000 were not availed for audit. The propriety of the expenditure of Kshs.29, 040,000 could therefore not be ascertained. Further, Management has not supported the transfers /adjustments of Kshs.305, 040,557 under work in progress and evidence of valuation was not provided. In addition, review of the statement of financial position in the previous year reflected property, plant and equipment for five (5) projects, which remained incomplete to date and have not been included in the current year property, plant and equipment balance

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs. 432,608,059 could not be confirmed.

#### Management Response

Honourable Speaker, Honourable members, we acknowledge the fact that original files were not availed for review since at the time of audit they were still being held by another government agency. Copies of the said files were provided and the same have been resubmitted for your review. Annex 2(i) for extract of the files

The said projects that were omitted in the year 2022/2023 have been accounted for under note 15 of the 2023/2024 financial statements. Further valuation of the said projects has been slotted for valuation in the month of May 2025 as per the attached valuer's work plan. See Annex 2(ii)

Further, we have provided status report from engineering department of the WIP. Annex 3 - The engineer's report

#### Committee Observations

1. That, Management failed to provide two (2) payment vouchers totaling Kshs. 29,040,000 for audit review during the audit and Committee deliberations.
2. That, Management further failed to support transfers/adjustments amounting to Kshs. 305,040,557 under work-in-progress, and no valuation evidence was provided.
3. That, in response to the above issues, Management provided the following explanations:
  - a) That, the original project files were held by another government agency during the audit, but copies were later provided and resubmitted.
  - b) That, the omitted projects have since been included in the FY 2023/2024 financial statements.
  - c) That, valuation has been scheduled for May 2025.

4. That, despite the Management response, the Committee noted that the projects had not yet been valued, and no supporting documentation was provided for the Kshs. 305,040,557 under work-in-progress.

#### Committee Recommendations

1. That, within sixty days of adoption of this Report, Management should provide the two (2) payment vouchers totaling Kshs. 29,040,000, to the Auditor for verification, with a copy to the Implementation Committee.
2. That, within ninety (90) days of adoption of this Report, Management undertakes and completes valuation of all projects under work-in-progress, including the Kshs. 305,040,557, and submits the valuation report to the Auditor, with a copy to the Implementation Committee.
3. That Management henceforth maintains proper records of all project files and adjustments.
4. That the issue remains unresolved.

#### 7.4 Project Implementation Status

Honourable Speaker, Honourable members, the statement of financial position reflects a balance of Kshs.432, 608,059 and as disclosed in Note 15 to the financial statements in respect of property, plant and equipment which includes work in progress amounting to Kshs.372, 107,574. However, the statement of financial position in the previous year reflected property, plant and equipment for five (5) projects, which remained incomplete to date as detailed below:

##### 7.4.1 Construction of the Non-motorized Transport System Phase 2

Honourable Speaker, Honourable members, the management signed a contract on 4 August, 2020 for the construction of a non-motorized transport system phase 2 at a contract sum of Kshs.659, 065,834, and an implementation period of twenty-four (24) months and expected completion date of 3 August, 2022. During the year under review, a physical inspection of the project during the Month of November, 2024 revealed that the project is still at 75% level of completion and the balance of Kshs.43,942,189.77 has not yet been paid by the County Executive. Management has explained that they have revised the contract sum to Kshs.513,796,700 through an addendum and actively prioritizing the packaging and implementation of the descoped works under the next KUSP phase to ensure full completion.

In the circumstances, the value for money received from the public funds spent on construction of the projects to date could not be confirmed and Management was in breach of the law.

### Management Response

Honourable Speaker, Honourable members, the project's initial scope was revised to address financial and operational constraints, resulting in a reduced scope forming 78% of the original contract. Consequently, the project is considered 100% complete based on the revised contract sum (attached completion certificate) 4(i)

The revised contract sum is Kshs.513,796,700, with Kshs. 513,796,700, paid to date. Thus, nil balance.

Management is actively prioritizing the packaging and implementation of the de-scoped works under the next KUSP phase to ensure full completion.

Measures were undertaken to enhance project management and ensure the timely closure of the project while complying with relevant legal and operational requirements through the contract addendum (attached addendum) 4(ii)

### Committee Observations

1. That, Management revised the contract sum from Kshs. 659,065,834 to Kshs. 513,796,700, representing 78% of the original contract, and declared the project complete under the revised scope.
2. That, no completion certificate, handover report, or verified project status documentation was provided, leaving uncertainty regarding the actual completion and usability of the project.
3. That, the reduction in the original deliverables was not supported by any formal explanation, documented approval, or correspondence.
4. That, there was no evidence of a budgetary provision or approved payment plan to settle the outstanding amount of Kshs. 43,942,189.77 owed to the contractor, and no identified funding source for the de-scoped works.

### Committee Recommendations

1. That, within ninety days of adoption of this Report, Management submits a comprehensive status report clearly outlining the current status of the Non-Motorized Transport System Phase 2 project.
2. That, the report shall include, at a minimum:
  - a) Completion and handover documentation;
  - b) Evidence of budgetary allocation for the outstanding payment;
  - c) Justification for the revised scope, supported by formal approval records; and

- d) A detailed implementation plan and timeline for areas where full completion has not been achieved.

3. That the matter remains unresolved.

#### 7.4.2 Improvement of Jomo Kenyatta Sports Ground

Honourable Speaker, Honourable members, the management signed a contract on 14 August, 2020 for the improvement of Jomo Kenyatta sports ground at a contract sum of Kshs.111,328,291 and an implementation period of twenty-four (24) months and expected completion date of 13 August, 2022. The final contract sum at handing over was revised to Kshs.93,832,288. The amount paid to date for the revised scope is Kshs.56,739,433 with a balance of Kshs.37,092,855.65 committed to be paid by the county executive in the next financial year. However, there is no evidence that the World Bank will finance Phase II of the project and no explanation as to why the project was not completed in time was given.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

#### Management Response

- i. The scope of the project was revised to align with budgetary constraints, reducing the final contract scope to 84% of the original, with the revised contract sum being Kshs.93,832,288.65. Consequently, the project is considered 100% complete based on the revised contract sum (attached completion certificate) Annex 4(iii)
- ii. Cumulative payments of Kshs.56,739,433 have been made to date, with the remaining balance of Kshs.37,092,855.65 committed for settlement in the current financial year, pending county budget approvals.
- iii. The de-scoped works (16% of the original scope) have been planned for implementation and are done through county revenue fund. Management has actively pursued alternative funding mechanisms I.e. through county revenue fund.
- iv. The park has been issued with completion certificate and is in use.
- v. Measures were undertaken to enhance project management and ensure timely closure of the project while complying with relevant legal and operational requirements through contract addendum. Annex 4(iv)

#### Committee Observations

1. That, the project, which was originally scheduled for completion on 13 August 2022, had not been completed, and no explanation was provided for the delay, raising concerns over adherence to contractual timelines.

2. That, the original project scope was reduced by 16% without submission of evidence of formal approval or justification.
3. That, the de-scoped works were planned under a proposed Phase II with no confirmed funding, creating uncertainty about full service delivery.
4. That although Management claimed the project is 100% complete based on the revised scope, no valid completion certificate or project status report was provided to substantiate the claim.
5. That, a balance of Kshs. 37,092,855.65 remains unpaid, and no evidence of a budgetary allocation or approved payment plan was provided to the Committee.
6. That, there is no confirmation of funding from the World Bank or other sources for Phase II of the project, posing a risk that the de-scoped works may remain incomplete indefinitely.

#### Committee Recommendations

1. That, within ninety (90) days of adoption of this Report, Management submits to this Assembly and the Office of the Auditor General, a comprehensive status report clearly outlining the current status of the Jomo Kenyatta Sports Ground project.
2. That, at a minimum, the report shall address the following:
  - a) Confirmation of project completion and handover, supported by valid documentation;
  - b) Evidence of budgetary allocation and a payment plan for the outstanding amount of Kshs. 37,092,855.65;
  - c) Justification for the revised project scope, supported by formal approval;
  - d) A detailed implementation plan and timeline for areas where full completion has not been achieved, including the de-scoped works; and
  - e) Evidence of donor funding or alternative financing arrangements for Phase II.
3. That the matter remains unresolved.

#### 7.4.3 Upgrade of Jamhuri Gardens, Market Park, Botanical Garden and Streetscaping

Honourable Speaker, Honourable members, in the management signed a contract on 7 August, 2020 for the Upgrade of Jamhuri Gardens, Market Park, Botanical Garden and Streetscaping at a contract sum of Kshs.111, 756,241. The implementation period of twenty-four (24) months and expected completion date of 6 August, 2022. The final contract sum at handing over was revised for Kshs.105,959,233.85. The de scoped works of 5% to be packaged and implemented in the next KUSP. The amount paid to date for the revised scope is Kshs.93,81 1,760 with a balance of Kshs.12,1 47,474 committed to be paid by the county executive in the next financial year. Management has explained that the project scope was revised to 95% or Kshs.105, 959,233.85 of the original contract and that 5% of the de-scoped work would be planned for implementation

through County Revenue Fund. However, Management has not explained why the contractor failed to finish the contract as signed between the Board and the contractor. Additionally, a breakdown of the de-scoped works has not been provided for audit review.

Honourable Speaker, Honourable members, in the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

#### Management Response

The project's scope was revised, with 95% of the original contract completed. The final contract sum stands at Kshs.105,959,233.85, of which Kshs.93,811,760 has been paid. The remaining balance of Kshs.12,147,473.85 is committed for payment in the next financial year, subject to county budgetary approvals. Consequently, the project is considered 100% complete based on the revised contract sum (attached completion certificate) Annex 4(v)

The de-scoped works (5% of the original scope) are planned for implementation under the county revenue fund. Management is actively pursuing resources to ensure the timely completion of these works. Measures were undertaken to enhance project management and ensure timely closure of the project while complying with relevant legal and operational requirements through contract addendum. Annex 4(vi)

#### Committee Observations

1. That, management revised the contract sum from Kshs. 111,756,241 to Kshs. 105,959,233.85, representing 95% of the original contract, and declared the project complete under the revised scope;
2. That, no completion certificate, handover report, or verified project status documentation was provided, leaving uncertainty regarding full completion and accountability.
3. That, the details of the de-scoped 5% works were not provided for review, leaving gaps in understanding the remaining scope and associated costs.
4. That, there was no evidence of a budgetary provision or approved payment plan to settle the remaining balance of Kshs. 12,147,474, and no funding confirmation from the County Government for the de-scoped 5% works.
5. That, no formal justification, documented approval, or correspondence was provided to support the reduction in project scope, undermining accountability, transparency, and compliance with contract management procedures.

#### Committee Recommendations

1. That, within ninety (90) days of the adoption of this report, management shall submit to this Assembly and the Office of the Auditor General, a comprehensive status report

clearly outlining the current status of the Upgrade of Jamhuri Gardens, Market Park, Botanical Garden, and Street-scaping project.

2. That, at minimum, the report shall include the following:
  - a) valid documentation confirming project completion and formal handover;
  - b) Evidence of budgetary allocation and a clear payment plan for the remaining balance;
  - c) Detailed breakdown, scope, and implementation plan for the de-scoped 5% works, including confirmation of funding sources;
  - d) Justification for the revised project scope, supported by formal approval records or correspondence.
3. That the matter is unresolved.

#### 7.4.4 Construction of Nyamasaria Bus Park

Honourable Speaker, Honourable members, the management signed a contract on 4 August, 2020 for the construction of Nyamasaria Bus Park at a contract sum of Kshs.99, 883,902. The implementation period was twenty-four (24) months and expected completion date of 3 August, 2022. The projected final account at handing over was revised to Kshs.'104,400,481. The amount paid to date for the certified works is Kshs.65, 253,146 with a pending certificate of Kshs.16, 605,870.22 and uncertified amount of Kshs. 22,541,465 committed to be paid by the county executive in the next financial year. No explanation has been given for revised amount and for the delay in the completion of the work.

In the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

#### Management Response

- i. The project has achieved 100% completion status.
- ii. An addendum was prepared to take care of the adjustment of the VAT from 14% to 16% thus changing the contract sum from 99,883,902 to 104,400,481.40

#### Committee Observations

1. That, Management signed a contract on 4 August 2020 for the construction of Nyamasaria Bus Park at a contract sum of Kshs. 99,883,902, with an implementation period of twenty-four (24) months and an expected completion date of 3 August 2022.
2. That, the projected final account at handover was revised to Kshs. 104,400,481, due to VAT adjustment from 14% to 16%.

3. That, as at the time of the audit, Kshs. 65,253,146 had been paid for certified works, with a pending certificate of Kshs. 16,605,870.22 and an uncertified amount of Kshs. 22,541,465 committed to be paid by the County Executive in the next financial year.
4. That, Management had claimed that the project has achieved 100% completion status.
5. That, no valid completion certificate or supporting documentation was provided to substantiate the revised contract sum or the project's completion status.

#### Committee Recommendations

1. That, within ninety (90) days of adoption of this Report, Management submits to this Assembly and the Office of the Auditor General, a comprehensive status report clearly outlining the current state of the project.
2. That, the report shall, at a minimum, address the following:
  - a) Submission of a valid completion certificate confirming finalization of the project;
  - b) Evidence of budgetary allocation and a payment plan for the outstanding certified and uncertified amounts;
  - c) Formal documentation supporting the variance between the original contract sum and the revised amount, including VAT adjustment, variation orders, or contract amendments.
3. That the matter remains unresolved.

#### 7.4.5 Construction of Kaloleni Community Centre

Honourable Speaker, Honourable members, the management signed a contract on 7 August 2020 for the construction of Kaloleni Community Centre at a contract sum of Kshs.151 468,960. The implementation period was twenty-four (24) months and expected completion date of 6 August, 2022. During the year under review, the contractor was paid a cumulative total of Kshs.77, 879,525 leading or 51Yo of the contract sum and the actual completion status was estimated at 68%.

Management has explained that the project's initial scope was revised to 56% or Kshs.85,272 ,222.76 of the contract sum and that the incomplete works have been taken over by the City of Kisumu and is being implemented through county revenue fund. However, Management has not explained why the contractor failed to finish the contract as signed between the Board and the contractor. Additionally, a breakdown of the de scoped works has not been provided for audit review.

Honourable Speaker, Honourable members, in the circumstances, the value for money received from the public funds spent on construction of the projects during the year under review could not be confirmed and Management was in breach of the law.

#### Management Response

Honourable Speaker, Honourable members, the project's initial scope was revised to address financial and operational constraints, resulting in a reduced scope forming 56% of the original contract. The revised contract sum is Kshs.85, 272,222.76, with Kshs.66, 196,737.24 representing a balance of uncompleted works that have been taken over by the city of Kisumu and is being implemented through county revenue fund through a new contract.

Cumulative payments of Kshs.76, 715,108.85 have been made to date, with the remaining balance of retention Kshs.8, 557,113.91 committed for settlement in the current financial year.

#### Committee Observations

1. That, management revised the project scope to 56% of the original contract and declared the project complete under the revised scope;
2. The no completion certificate or formal handover report was submitted for the works completed prior to the scope revision, leaving accountability and the actual completion status unclear.
3. That no detailed breakdown of the de-scoped works taken over by the City of Kisumu, such as the funding source, implementation plan, timelines, or estimated costs, was provided.
4. That, a retention balance of Kshs. 8,557,113.91, which was to be settled in the current financial year, remains outstanding, and no comprehensive evidence has been provided on how this retention balance, as well as any other outstanding certified or uncertified amounts, will be fully settled.

#### Committee Recommendations

1. That, within ninety (90) days of the adoption of this report, management shall submit a comprehensive status report clearly outlining the current state of the Kaloleni Community Centre project.
2. That, the report shall, at a minimum, include:
  - a) A formal status update for works completed prior to the scope revision, supported by valid documentation;
  - b) A detailed breakdown of the de-scoped works, including funding source, implementation plan, timelines, and estimated costs;

- c) Evidence of budgetary provision and a payment plan for all outstanding certified and retention amounts.

3. That the matter is unresolved.

#### 7.5 Budgetary Control and Performance

Honourable Speaker, Honourable members, the statement of comparison of budget and actual amount reflects final receipts budget of Kshs.838, 716,334 and actual on comparable basis amount of Kshs.426, 594,893 resulting in underfunding of Kshs.412,121 ,441 or 49% of the budget. Similarly, the project expended Kshs.516, 900,996 against the approved budget of Kshs.838,716,334 resulting to an under expenditure of Kshs.321,815,338 or 61% of the total approved budget.'

The under absorption and underfunding may have negatively impacted on service delivery.

#### Management Response

Honourable Speaker, Honourable members, the underfunding is attributed to unrealized own-source revenue and delayed release of equitable share by the National Treasury, both impacting the overall cash inflows to the county government and its entities, with a multiplier effect on budget implementation and roll out of projects by the county and its entities. The City Board is expected to roll out projects when there is a high probability of cash inflows to minimize the accumulation of pending bills

#### Committee Observations

1. That, the Committee observes with concern a significant underfunding of Kshs. 412,121,441 and an under-expenditure of Kshs. 321,815,338 during the financial year.
2. That, Management attributed this to unrealized own-source revenue and delays in the release of the equitable share by the National Treasury.

#### Committee Recommendations

1. That, management improves budget monitoring and cash flow planning to ensure timely funding and implementation of planned activities.
2. That the matter is resolved.

#### 7.6 Unresolved Prior Year Matters

Honourable Speaker, Honourable members, in the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues or given any explanations for failure to implement the recommendations.

In the circumstances, Management was in breach of Section 31(a) of the Public Audit Act, 2015 which requires that as a preliminary step, the entity must submit a report on how it has addressed the recommendations and findings of the previous year's audit.

The Management was therefore in breach of the law

#### Management Response

- i. The City affirms its commitment to addressing this issue in compliance with Section 165(1) of the Public Finance Management (County Government) Regulations, 2015.
- ii. Steps already undertaken include:
- iii. Framework for Implementation: Management has developed a standardized framework to ensure that both internal and external audit recommendations are responded to and action plans are submitted within 14 days of receiving the audit reports.
- iv. Oversight and Monitoring: Both the Board Audit, Risk, and Compliance Committee and the shared Audit and Risk Committee with the County Executive will oversee the implementation of audit recommendations to ensure timeliness and effectiveness.
- v. Status Reporting: Implementation status reports for the 2023/24 audit recommendations (internal and external) are consolidated.
- vi. Management remains committed to timely and comprehensive implementation of audit recommendations and will provide regular updates to the oversight committees. Annex

#### Committee Observations

1. That, in the audit report of the previous year, several issues were raised under the Report on Financial Statements and the Report on Lawfulness and Effectiveness in the Use of Public Resources.
2. That, management had neither resolved nor provided explanations for the failure to implement the recommendations.
3. That, in the circumstances, Management was in breach of Section 31(a) of the Public Audit Act, 2015, which requires that the entity must submit a report on how it has addressed the recommendations and findings of the previous year's audit.

#### Committee Recommendations

1. That, within sixty (60) days of adoption of this report, Management shall develop and submit to the Auditor-General and this Assembly a detailed action plan for resolving all unresolved prior-year matters.
2. That, the action plan at a minimum shall include:
  - a) Specific corrective actions for each outstanding issues;
  - b) Responsible officers;

- c) Clear timelines for implementation; and
  - d) Mechanisms for monitoring and reporting progress until full resolution is achieved.
- 3. That Management shall provide regular updates to the Internal Audit Department for follow.
  - 4. That the matter is unresolved

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

### 8.1 Engagement of Legal Services without Approval

Honourable Speaker, Honourable members, a review of records provided for legal fees together with the supporting documentation revealed that Management entered into contracts with advocates for provision of consultancy services for various cases and were paid Kshs.1, 997,520. However, no approval was granted by the County Executive Committee member to engage the services of a consultant for the provision of legal services contrary to Section 16 (1), (2) and (3) of the County Attorney Act which states that the engagement of consultant, a department or public entity established within a county executive shall not engage the services of a consultant to render any legal services relating to the functions of the County Attorney without the approval of the County Executive Committee and a request by a department or public entity to the county executive committee to engage the services of a consultant for the provision of legal services, shall be in writing and an approval by the county executive committee of a request under subsection (2) shall be in writing.

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

### Management Response

Honourable Speaker, Honourable members, it is true that the management did not engage the county executive committee to engage the services of a consultant for provision of legal service. City of Kisumu has its legal department headed by City Attorney who granted approval for the same and all documentation pertaining to the payment of the service was attached. This is evidenced by the fact that the file was presented for audit review by your team.

### Committee Observations

- 1. That, Management engaged the services of advocates for consultancy on various legal matters and paid a total of Kshs. 1,997,520 without obtaining written approval from the County Executive Committee, contrary to Section 16(1), (2), and (3) of the County Attorney Act.

2. That, Management explained that the City Attorney as head of the legal department and that he granted internal approval for the engagement.
3. Despite the explanation and provision of documents, the Committee affirmed the Auditor's findings that approval from the County Executive Committee must be sought to comply with the law, and that the transaction was conducted contrary to the law

#### Committee Recommendations

1. That, Management ensures that any future engagement of external legal services strictly complies with the provisions of Section 16 of the County Attorney Act.
2. That, Management develops and implements a clear internal control procedure to prevent recurrence of non-compliance with statutory requirements.
3. That the matter is resolved.

#### 8.2 Non-Compliance with Gender and Ethnicity Rule

Honourable Speaker, Honourable members, analysis of staff bio data of the recruitment for the year under review revealed that the City of Kisumu had a total of four hundred and ninety-six (496) members of staff, out of whom four hundred and sixty-six (466) or 94o/o arc from the dominant community in the County. Among them one hundred and ninety-eight (198) are females while two hundred and ninety-eight (298) are males. In addition, the new recruitment has employed one hundred and thirty- nine (139) staff, out of whom one hundred and twenty (120) are from the dominant community in the County. This is contrary to Section B (5) of the PSC HR policies and procedures manual 2016, which provides that; "Recruitment will be undertaken on the basis of fair competition and merit; representation of Kenya's diverse communities; adequate and equal opportunities to all gender, youth, members of all ethnic groups, persons with disabilities and minorities".

In the circumstances, Management was in breach of the law

#### Management Response

We positively acknowledge the observation made by your team. However, the City management is working on the effort to ensure compliance with the set limit 30% in subsequent years

#### Committee Observations

1. That, the City of Kisumu's staff composition significantly favors the dominant community in the County, with 94% of existing staff and 86% of newly recruited staff drawn from this group.
2. That, this contravenes the requirements of Section B (5) of the PSC HR Policies and Procedures Manual, 2016, which requires fair representation of Kenya's diverse

communities, gender balance, youth inclusion, and equal opportunities for persons with disabilities and minorities.

3. That although Management has acknowledged the issue and indicated plans to improve compliance in future recruitment, the current recruitment process constitutes non-compliance with the law.

#### Committee Recommendations

1. That, the City Management, in future recruitment, ensures compliance with Section B (5) of the PSC HR Policies and Procedures Manual, 2016, regarding equitable representation of all communities, genders, youth, persons with disabilities, and minorities.
2. That, the matter is resolved.

#### 8.3 Non-Implementation of Audit Recommendations

Honourable Speaker, Honourable members, audit review of records of the board revealed that no response or action plan was availed for the implementation of the recommendations made in the audit reports. Further, no implementation status for recommendations made in the audit reports for 2023/24 were availed for audit verification contrary to Section 165(1) of the Public Finance Management (County Government) Regulations, 2015 which states that the accounting officer of the concerned entity shall be responsible for the implementation of the recommendations made in the audit reports and shall develop response and action plan which they shall submit to the chairperson of the audit committee within fourteen days.

The Management was therefore in breach of the law.

#### Management Response

The City affirms its commitment to addressing this issue in compliance with Section 165(1) of the Public Finance Management (County Government) Regulations, 2015.

Herein the Implementation status reports for the 2023/24 audit recommendation consolidated.

Management remains committed to timely and comprehensive implementation of audit recommendations and will provide regular updates to the oversight committees. Annex 6

#### Committee Observations

1. That, the Board did not provide responses, action plans, or implementation status reports for audit recommendations for the year 2023/24.
2. That, this is contrary to Section 165(1) of the Public Finance Management (County Government) Regulations, 2015, which requires accounting officers to develop and submit response and action plans to the Audit Committee within fourteen (14) days.

### Committee Recommendations

1. That, Management maintains a systematic audit recommendation tracker to monitor implementation status and provide timely updates to the Audit Committee.
2. That, regular quarterly reports on the implementation of audit recommendations be submitted to the Internal Audit to ensure accountability and effective follow-up.
3. That the matter be considered resolved.

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

#### 9.1 Lack of internal Audit Function and Audit Committee

Honourable Speaker, Honourable members, the Board did not have an audit committee. This was contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015 which provides that each county government entity shall establish an audit committee. In addition, the Board did not have an internal audit unit. This was contrary to Section 155(1)(a) of the Public Finance Management Act, 2012 which provides that a county government entity shall ensure that it has appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board. In the circumstances, the effectiveness of governance systems, checks and balances in the Board could not be confirmed.

#### Management Response

Honourable Speaker, Honourable members, the City acknowledges the audit finding regarding the absence of an Audit and Risk Committee during the period under review and recognizes its critical role in ensuring effective oversight of risk management, financial reporting, and internal audit functions at the time of this exercise.

However, the process of having Internal Audit Committee in place has since completed and gazetted on Gazette Notice No.1161, dated 1th January, 2025. (Annex7)

It is true there was no internal audit unit at the time of the exercise; however, it has since been established and the unit headed by Head of Internal Audit.

#### Committee Observations

1. That, during the period under review, the Board did not have an Audit Committee or an Internal Audit Unit, contrary to Regulation 167 of the Public Finance Management (County Governments) Regulations, 2015, and Section 155(1)(a) of the Public Finance Management Act, 2012.
2. That, Management has since established and gazetted the Audit Committee and created an Internal Audit Unit; however, the lapse during the audit period represents a governance weakness that should not be allowed to recur.

## Committee Recommendations

1. That Management ensures the newly established Audit Committee and Internal Audit Unit operate fully in accordance with the requirements of the Public Finance Management Act, 2012, and its Regulations.
2. That the matter be considered resolved.

## Conclusion

Honourable Speaker, I hereby request that this House adopts this report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements of the City of Kisumu for the financial years 2021/2022, 2022/2023 and 2023/2024. May I call upon Honourable Mickey to second?

**Hon. Mickey** (Nominated Member): Thank you, Madam Speaker. I second.

**The Temporary Speaker** (Hon Oginga, Nominated Member): Honourable members, now that the committee report on the Examination of the report of the Auditor General on the Financial Statement for the City of Kisumu for the Financial Year 2021-2022, 2022-2023 and 2023-2024 has been presented and seconded, and as per Standing Orders, I would like to propose a question, and I propose that this report is now open for debate.

**The Temporary Speaker** (Hon Oginga, Nominated Member): Yes, Deputy Leader of the Majority, Honourable Lumumba Owade.

**The Deputy Leader of Majority** (Hon. Owade, MCA, South West Nyakach): Thank you, Madam Speaker. Much as I support the report, I have noticed over the last few days that members are not very keen in debating this report for reasons better known to them, but I believe that, these reports are brought in this House year in, year out, without any action. Recommendations are made in this House, but you do not get the feedback from even the Committee on Implementation.

Madam Speaker, it calls for this House to really do soul searching to find out how this can be cured in order for members to participate fully in such debates, but one of them is this, because the Select Committee on Implementation does not give feedback to the extent that members are just seeing the debate like a routine. I support the report and its recommendation, however, and then I would hate to hear that it ends in this House. It is not supposed to end in this House. Those recommendations are supposed to be followed and be implemented, Madam Speaker. Thank you Madam Speaker. I support.

**The Temporary Speaker** (Hon Oginga, Nominated Member): Honourable Ngeta.

**Hon. Ngeta** (Awasi Onjiko): Thank you Madam Speaker. I rise to support the report on the Floor. Madam Speaker, foremost, let me just say, thumbs up to the Chairperson, Select Committee on Public Investments and Accounts.

Madam Speaker, this House Committee has accordingly executed its job. Madam Speaker, I have heard my able leader, Honourable Deputy Leader of Majority mention that members are demoralized because recommendations proposed in these reports are never followed up. Madam Speaker, it has been said here time and again, we receive reports with recommendations that are never implemented. The truth is, this House has various House Committees, including one, the Select Committee on Implementation. It is high time that this House Committee rises up and executes its mandate seriously. Madam Speaker, we cannot keep compiling reports, especially from critical House Committees like this one, only to let them gather dust. These reports come with weighty recommendations, and yet, we have the House Committee on Implementation that has taken no tangible action on them.

Madam Speaker, I therefore urge this House and more so the Select Committee on Implementation to rise to the occasion, show leadership, and ensure that the recommendations from all these House Committee's reports are actually followed through. We have many active and serious House Committees in this House for instance the Departmental Committee on Lands Physical Planning and Urban Development, the select committee on Public Investments and Accounts, and the Select Committee on County Budget and Appropriations, the Departmental Committee on Water, Environment and Natural Resources and Climate Change, and many more. These House Committees do commendable work, but we fail our people at the stage of implementation. The Select Committee on Implementation C must now step up and take decisive action. Thank you, Madam Speaker. I support the motion.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): I had noted Honourable Tom Nyaoke earlier. Honourable Kevin Oraro, will follow thereafter.

**Hon. Nyaoke** (MCA, North Nyakach): Thank you Madam Speaker, for this opportunity. Let me begin by commending the Chairperson, Select Committee on Public Investments and Accounts for the comprehensive report presented to this House today.

Madam Speaker, what is clearly evident in the report is the persistent violation of the Public Finance Management Act, 2012. The Auditor General has consistently flagged out these issues over the years. However, there is a glimmer of hope as highlighted in the report, the Auditor General's Opinion for the 2023/2024 financial year improved from *ADVERSE TO QUALIFIED*, indicating some progress. Despite that, numerous weaknesses remain within the system. A key recommendation from this report is that several matters be referred to the investigative body which is the Ethics and Anti-Corruption Commission (EACC) for further analysis. This will help determine whether there was misappropriation of funds or simply failure to submit required documentation.

Madam Speaker, my colleague Honourable Ngeta expressed concern about the role of the Implementation Committee. As a member of that House Committee, I wish to assure this House that we are alert and committed. This report has just been tabled. Upon its adoption, we will follow through with the seriousness it deserves. The recommendations contained herein have serious implications, and we are committed to ensuring that action is taken accordingly. That is a commitment we make to this House and one you can take to the bank. Thank you, Madam Speaker. I support the motion.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Thank you Honourable Nyaoke. Honourable Kelvin Oraro, please proceed.

**Hon. Oraro** (MCA, Kolwa Central): Thank you, Madam Speaker, for according me this opportunity to contribute.

Madam Speaker, I refrained from rising on a point of order earlier when Honourable Ngeta shifted the debate towards implementation a line also suggested by the Deputy Leader of Majority. While I acknowledge their concerns, I believe it's slightly misplaced to reduce this important discussion to the implementation debate. Just last week, we discussed the budget allocations for all House Committees. If we now expect the Implementation Committee to take on oversight for all other House Committees without adjusting its capacity and resources accordingly, then our expectations become unrealistic.

That said, Madam Speaker, I want to address the matter on the floor. This House Committee enjoys a unique and advantageous position among all other House Committees in this House. It is what we call a secondary committee, meaning that it acts on the findings of an independent authority, namely, the Auditor General. The Auditor General undertakes the primary investigations, and this House Committee uses that data to prepare its report. This gives this House Committee a strong foundation. Their recommendations are based on verified, official findings. As such, their conclusions should not be subject to unnecessary debate unless there is a compelling reason to question them. Indeed, this House Committee serves as an extension of this Assembly. Their reports whether at the county or national level are rarely rejected, and for good reason. This House Committee invests considerable time and effort into the compilation of such reports.

Madam Speaker, the fact that this House Committee has recommended referring certain issues to the investigative body the EACC underscores the seriousness of the matter. It reflects their judgment that some issues go beyond the jurisdiction of the Select Committee on Implementation and require legal or investigative intervention. The central issue being discussed today pertains to the affairs of the City of Kisumu. We must ensure it receives the scrutiny it deserves. Thank you, Madam Speaker. I support the motion.

*(The Deputy Leader of Majority rises on a Point of Order)*

**The Temporary Speaker** (Hon. Oginga, Nominated Member): The Deputy leader of Majority, I have not given you the go ahead to make your comment. Which Point of Order are you rising on?

**The Deputy Leader of Majority** (Hon. Owade, MCA, South West Nyakach): Madam Speaker, I am rising on a Point of Information.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Please proceed.

**The Deputy Leader of Majority** (Hon. Owade, MCA, South West Nyakach): Madam Speaker, I just want to inform my brother (Honourable Kelvin Oraro) that, there are recommendations which have been made in this House with even with amendments that the matter be taken to Ethics and Anti-Corruption Commission (EACC). So, be informed that that one has been done on the floor of this House, thank you.

**Hon. Oraro** (MCA, Kolwa Central Ward): Madam Speaker, it is my belief that the Deputy Leader of Majority was not keen enough with what I was saying that, this House Committee has been given that power and that their recommendation(s) is/are not subjected to another House Committee known as Implementation do a follow up.

Madam Speaker, this House Committee has the power to do that whereby part of this report, there is an area which I have seen them recommending a matter to be taken to EACC. However, the concern which has made me stand on my feet is that a lot needed to be done to the city. There is a lot of information that a part from this report we need to discuss about the City majorly its operation. We have many things which are happening within the city such as donor funded projects and the biggest beneficiary in terms of funding from World Bank is the City of Kisumu. Madam Speaker, some reports do not give it a good name but rather means that there is a lot of negative things going that we need to know. For that reason, therefore, the Auditor General can sometimes clear or even try to be lenient enough. However, as a County Assembly, we need to take our time to scrutinize some of these issues that have been raised ranging from the staff to unsupported payment to City, bad arrears and other things that I have seen in this report.

Maybe the five minutes may not be enough but the entire issue is that this House Committee has done their work and mostly whatever they recommend; we should be able to support as a House because; they worked by doing the investigation as an extension of this House Committee. Thank you Madam Speaker and I support the report.

**The Temporary Speaker** (Hon. Oginga, Nominated Member): Yes, Honourable Bennie Pete Oiko.

**Hon. Oiko** (MCA, Kabonyo/Kanyagwal): Thank you Madam Speaker. The Deputy Leader of Majority raised a matter here that the House is not enthusiastic in discussing these report and the member is referring to the past reports that have been passed in this House and no action is being taken.

Madam Speaker, what the House needs to know is that when this House Committee brings a report and they make recommendation like the one they have made today of it being forwarded to the investigative authorities like the EACC for further investigation, if that needs to be done, it is the Clerk of the Assembly to write a letter with the Hansard report attached to the EACC.

Madam Speaker, if that is not done, the Select Committee on Implementation would simply go to the office and find out if the Clerk has taken action by writing that letter or not. If that fails to be done, then the Assembly would now face the Clerk to ask him why he has failed in his duty. It is not the Select Committee on Implementation to do a lot on that. Theirs is only to find out whether the Clerk has taken action.

Madam Speaker, from my knowledge, in the past reports, the recommendations were very flimsy and I was condemning here that this House Committee were giving soothing reports. It would be a tall order for us to pin down the office of the Clerk for those reports. However, I suspect that this one of today may be a straight forward one to take up the matter with the office of the Clerk if he does not write to the EACC on what the House is hopefully going to recommend for further action to be taken against the city.

Madam Speaker, it is good that this House Committee has highlighted some very important development in this County which ought to have been done to their completion but they are incomplete. The Nyamasaria Bus Park and the Jomo Kenyatta Sports Ground and some project in Kaloleni Shaurimoyo Ward which are very important project and we are being informed that in this report that they are incomplete. A substantial amount had been spent on them.

Again, we are also being informed of Kshs 414, 688, 082 which is there as Pending Bill and there are no Contracts and Invoices attached to them to show that they incurred expenditure which need to be paid. Madam Speaker, in this kind of scenario from the Auditor General, we need to take the City of Kisumu to task. This is because, the value for money is not seen here and it would be important to make the kind of recommendation the House Committee has made.

Madam Speaker, another issue is also on the Payroll. Madam Speaker, I believe that, it is from the last financial year that the County Executive took up the payment of wages from line Departments to the Department of Public Service, County Administration and Participatory Development and Office of the Governor. Before then, salaries were being paid by the Department of Finance and Economic Planning and ICT but the wage bill was being worked on by the respective departments. It is surprising to see here that the City of Kisumu had problems with the wages which were not paid yet they were being paid at the Department of Finance and Economic Planning. These are weighty matters that resulted to poor financial management which the City of Kisumu needs to answer. So, from today, if we continue making the kind of recommendation made today, we shall be relevant, and we shall take the departments to task, and our oversight role will be felt. I beg to submit.

**The Temporary Speaker** (Hon. Oginga Nominated Member): Honourable members, the floor is still open for debate.

**The Temporary Speaker** (Hon. Oginga Nominated Member): Honourable Anne Ocholla.

**Hon. Ocholla** (Nominated Member): Thank you, Madam Speaker. I wish to call the mover to reply.

**The Temporary Speaker** (Hon. Oginga Nominated Member): Yes, Honourable Ouko, Chairperson, Select Committee on Public Investments and Accounts.

**Hon. Ouko** (MCA, West Kisumu): Thank you, Madam Speaker. Madam Speaker, as a House Committee, we are always guided by the constitutional principles on public finance. Our resolutions are never made outside the framework of the Constitution of Kenya 2010, and more specifically, the Public Finance Management (PFM) Act.

Madam Speaker, Honourable members, the Constitution clearly states that an Accounting Officer is accountable to the County Assembly for ensuring that the resources under their charge are used lawfully, effectively, efficiently, economically, and transparently. In addition, Article 229(8) requires that within three months of receiving an audit report, the County Assembly must debate, consider, and take appropriate action on it. Once our report is adopted in this House, the mandate of this House Committee is complete. From there, it is the duty of the Speaker to guide on the next course of action.

Madam Speaker, not every report is referred to the Ethics and Anti-Corruption Commission (EACC). Each case must be assessed against the required threshold. Where a report does not meet that threshold, such officers are summoned before the relevant House Committees to respond to the queries raised. While it is sometimes the wish of oversight committees to hold the Executive firmly accountable, we are nonetheless bound by the rule of law. We cannot forward officers to anti-corruption agencies or the courts without adequate evidence to support such action.

Madam Speaker, Honourable members, in the case before us, the Auditor-General raised concerns, and when the officers were summoned; they failed to provide supporting documents for their expenditures. That is why this House Committee has made the recommendations presented here. However, it is important to remind colleagues that not all audit reports are referred to the EACC. For instance, just last week, we submitted another matter to the Commission, though some members may not have been present when that decision was made.

Madam Speaker, Honourable members, we must, therefore, remain guided by the Constitution and the rule of law. Every report brought to this House must be debated. If any member feels that

the recommendations are either inadequate or inconsistent with the law, the Standing Orders allow them to propose amendments. Once a report is tabled, it ceases to be the property of this House Committee and becomes the property of the House.

Madam Speaker, I cannot speak on behalf of other House Committees, as that responsibility lies with those House Committees and with the direction of the Speaker and the House at large.

Finally, I am pleased that we are having this debate. The outcome, supported by the Hansard and the Speaker's directions, will give the report weight and credibility. Thank you, Madam Speaker. I beg to reply.

**The Temporary Speaker** (Hon. Oginga Nominated Member): Honourable members, and now that the report by the Public Accounts and Investment Committee on the Examination of the report of the Auditor General on the Financial Statement of the City of Kisumu for the Financial Years 2021, 2022, 2023, 2023 and 2024 has been presented, seconded and debated. I therefore want to put a question on the adoption of the same.

*(Question put and agreed to)*

**The Temporary Speaker** (Hon. Oginga Nominated Member): Honourable members, the report by the Public Accounts and Investment Committee on the Examination of the report of the Auditor General on the Financial statement of the City of Kisumu for the Financial Years 2021, 2022, 2022, 2023, 2023 and 2024 has been adopted today, 19th of August, 2025 at 15:32 hours.

Honourable members, I further direct that this report, together with the Hansard report to be submitted to the relevant department for purposes of implementation. And where necessary, I direct that the Clerk to write to the Ethic and Anti-Corruption Commission (EACC).

**The Temporary Speaker** (Hon. Oginga Nominated Member): Next order!

## ADJOURNMENT

**The Temporary Speaker** (Hon. Oginga Nominated Member): Honourable members, there being no any other business to transact, this House stands adjourned until tomorrow Wednesday, 20th of August, 2025 at 09.00 a.m. Thank you.

*(House rose at 03.34 p.m.)*

*ddendum*

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