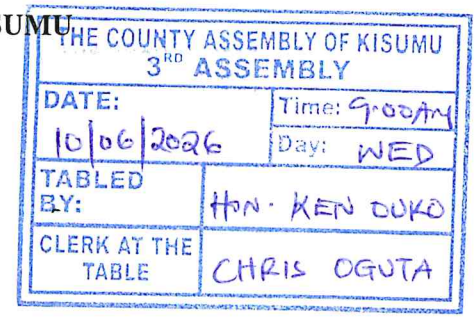
COUNTY ASSEMBLY OF KISUMU



THIRD ASSEMBLY – FIFTH SESSION
PUBLIC ACCOUNTS AND INVESTMENTS COMMITTEE

COMMITTEE REPORT

ON

THE EXAMINATION OF THE REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF;

KISUMU URBAN PROJECT (CASH EXPENDITURE ACCOUNT) FY 2024/2025 & KISUMU URBAN PROJECT (PROJECT ADVANCE ACCOUNT) FY 2024/2025

Presented by;
Hon. Ken Ouko
Chairperson

June, 2026

Directorate of Committee Services
The County Assembly of Kisumu
KISUMU.

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LIST OF ABBREVIATIONS

AG	- Auditor General
AFD	-Agency Francaise Development, Project Sponsor
FY	- Financial Year
IPSAS	- International Public Sector Accounting Standard
PFM Act	- Public Finance Management Act
PICPAC	- Public Accounts and Investment Committee

1.0 CHAIRPERSON'S FOREWORD

Hon. Speaker,

This report contains the findings, observations and findings of the Public Accounts and Investments committee on its consideration of the Auditor General's report on the financial statements of Kisumu Urban Project (Project Advance Account – CKE 1035.01 G and Cash Expenditure Account – CKE 1035.01.G for the year ended June 30, 2025.)

Hon. Speaker, the Kisumu Urban Project, implemented between 2012 and 2022, was designed to promote an inclusive and sustainable development for Kisumu, through the modernization of the municipal management system and public policies, the improvement of land management and urban planning, rehabilitation and creation of public facilities and infrastructures by undertaking; technical assistance and capacity building, solid waste management, slum upgrading, commercial infrastructure and public infrastructure rehabilitation.

Hon. Speaker, the opinion of the Auditor General on both reports was a Clean/unmodified opinion. However, in the project advance account, two matters were raised under the report on lawfulness and effectiveness in the use of public resources.

First, the Auditor General raised an issue on the failure to refund ineligible expenditure to the financiers. A letter from Project financiers, Agence Française de Development (AFD) dated 27 February, 2024 indicated that (AFD), using its own resources had hired Price Waterhouse Coopers (PWC) to conduct final financial audit of the Project. The letter further indicated that the audit disclosed cumulative ineligible expenditure amounting to Kshs.111,352,253. The AFD had further requested the National Treasury to repay the ineligible expenditure to enable closure of the project. However, management did not provide any evidence of actions being taken to refund the ineligible expenditure in accordance with the credit agreement to facilitate project closure. The committee has recommended to this House to resolve that the management immediately submit to the Auditor General evidence of actions being taken to refund the ineligible expenditure.

Secondly, the Auditor General raised a matter on Non-Closure of Project and Handover of Project's Assets. According to the Project Financing Agreement, the deadline for use of funds was 30 June, 2022. However, review of documents provided for audit revealed that there was no handover report for the Project's assets to the Implementing Entity, the City of Kisumu.

Further, during the year under review, no funds were received by the Project and no expenditure was made from the bank account except for a bank charge of Kshs.1,200. The outstanding balance at year end was Kshs.2,197,909. Further, the Project records indicated pending bills of Kshs.31,575,700 at as 30 June, 2025.

Although the project's bank account was closed on 27 June, 2025, and the pending bills were indicated to have been transferred to the City of Kisumu, there was no evidence that ineligible expenditure amounting to Kshs.111,352,253 had been settled. The committee further found out that as at the time of committee deliberations, the two accounts had been closed.

The committee has recommended that the management immediately submit to the Auditor General evidence that the pending bills were transferred to the City of Kisumu and subsequently settled.

Hon. Speaker, I wish to express my appreciation to the members of the Committee for their dedication throughout the period of culmination of this report. I also thank the Offices of the Speaker and Clerk of the Assembly, the Office of the Auditor General, and the Committee Secretariat for the invaluable technical and logistical support provided throughout this process.

On behalf of the Public Accounts and Investments Committee, I now wish to present this report and urge this Hon. House to adopt it.

.....

Hon. Ken Ouko

Committee Chairperson

1.1 Establishment and Mandate of the Public Accounts and Investments Committee

Hon. 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 March 2026

	NAME	POSITION
	MEMBERS	
1.	**Hon. Ken Ouko**	**Chairperson**
2.	**Hon. Tom Onditi**	**Vice Chairperson**
3.	Hon. Seth Okumu	Member
4.	Hon. Habil Nyasuna	Member
5.	Hon. Nancy Matara	Member
6.	Hon. Rueben Rakwach	Member
7.	Hon. James Were	Member
8.	Hon. Mickey Ochieng	Member
9.	Hon. James Omollo	Member

	SECRETARIAT	
1.	Austine Ochieng'	Lead Clerk
2.	Chrispine Oguta	Clerk Assistant
3.	Philemon Odero	Clerk Assistant
4.	Patrick Okoyo	Hansard Officer
5.	Faith Judith	Sargent-at-arm
6.	CPA Mollen Achayo	Fiscal Analyst
7.	CPA Charles Ageng'o	Internal Auditor

2.0 LEGAL FRAMEWORK & GUIDING PRINCIPLES

2.1 Legal Framework

Hon. 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*".
2. **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.

3. **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

4. **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

5. **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"

2.2 Guiding Principles

Hon. 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.

3.0 REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KISUMU URBAN PROJECT (CASH EXPENDITURE ACCOUNT FY 2024/2025)

Hon. Speaker,

The Accounting Officer appeared before the committee to adduce evidence on the audited financial statements of the Kisumu Urban Project (Cash Expenditure Account) for the financial year 2024/2025.

The Office of the Auditor General was represented by Daisy Mokaya

The Auditor-General gave a clean (unqualified) opinion on the Cash Expenditure Account's financial statements for the FY 2024/2025. There was no matter raised in the report of the Auditor General.

4.0 REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KISUMU URBAN PROJECT (PROJECT ADVANCE ACCOUNT FY 2024/2025)

Hon. Speaker, during the FY 2024/2025, the opinion of the Auditor General on the financial statements of the Project Advance Account was an Unqualified/Clean report. However, the Auditor General raised the following concerns;

4.1 Failure to Refund Ineligible Expenditure to the Financiers

A letter from Project financiers, Agence Française de Development (AFD) dated 27 February, 2024 indicated that (AFD), using its own resources had hired Price Waterhouse Coopers (PWC) to conduct final financial audit of the Project. The letter further indicated that the audit disclosed cumulative ineligible expenditure amounting to Kshs.111,352,253. The AFD had further requested the National Treasury to repay the ineligible expenditure to enable closure of the project. However,

management did not provide any evidence of actions being taken to refund the ineligible expenditure to in accordance with the credit agreement to facilitate project closure.

In the circumstances, the management was in violation of the credit agreement.

Management Response

No response

Committee Observation

That as at the time of committee deliberations, the account had been closed

Committee Recommendations

1. **That the management immediately submit to the Auditor General evidence of actions being taken to refund the ineligible expenditure**
2. **That the matter is not resolved**

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

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

Further, during the year under review, no funds were received by the Project and no expenditure was made from the bank account except for a bank charge of Kshs.1,200. The outstanding balance at year end was Kshs.2,197,909. Further, the Project records indicate pending bills of Kshs.31,575,700 at as 30 June, 2025.

Although the project's bank account was closed on 27 June, 2025, and the pending bills were indicated to have been transferred to the City of Kisumu, there is no evidence that ineligible expenditure amounting to Kshs.111,352,253 has been settled.

In the circumstances, the closure of the project could not be confirmed.

Management Response

No management response

Committee Observations

1. That according to the Project Financing Agreement, the deadline for use of funds was 30 June 2022. However, a review of documents by the auditors revealed that there was no handover report from the project's assets to the implementing entity, the City of Kisumu.
2. That during the year under review, no funds were received by the Project and no expenditure was made from the bank account except for a bank charge of Kshs.1,200. The outstanding balance at year end was Kshs.2,197,909. Further, the Project records indicate pending bills of Kshs.31,575,700 at as 30 June, 2025.
3. That although the project's bank account was closed on 27 June, 2025, and the pending bills were indicated to have been transferred to the City of Kisumu, there is no evidence that ineligible expenditure amounting to Kshs.111,352,253 had been settled.

Committee Recommendations

1. **That the Accounting Officer, immediately submit to the Auditor General evidence that ineligible expenditure amounting to Kshs.111,352,253 were transferred to the City of Kisumu and had been settled.**
2. **That the matter is unresolved**

5.0 CONCLUSION

Hon. Speaker,

I hereby request that this House adopt this report of the Public Accounts and Investments Committee on the consideration of the Auditor General's Report on the Financial Statements of the Kisumu Urban Project (Cash Expenditure Account FY 2024/2025 and Project Advance Account FY 2024/2025). May I call upon Hon. .....to second?

ADOPTION SCHEDULE

We, the Hon. Members of the Public Accounts and Investments Committee, having considered this report, hereby append our signatures in affirmation that these are the true deliberations from the Committee.

1. **Hon. Ken Ouko**	**Chairperson**	
2. **Hon. Tom Onditi**	**Vice Chairperson**	
3. Hon. Seth Okumu	Member	
4. Hon. Nancy Matara	Member	
5. Hon. James Omollo	Member	
6. Hon. James Were	Member	
7. Hon. Mickey Awuor	Member	
8. Hon. Reuben Rakwach	Member	
9. Hon. Habil Nyasuna	Member	