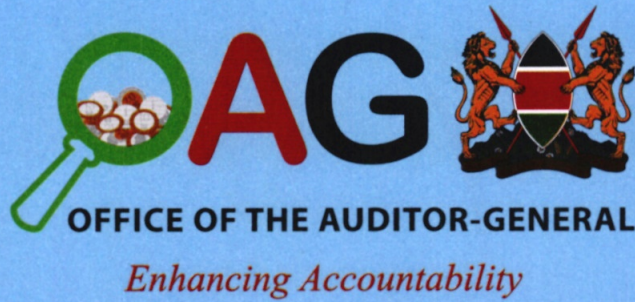


REPUBLIC OF KENYA



REPORT

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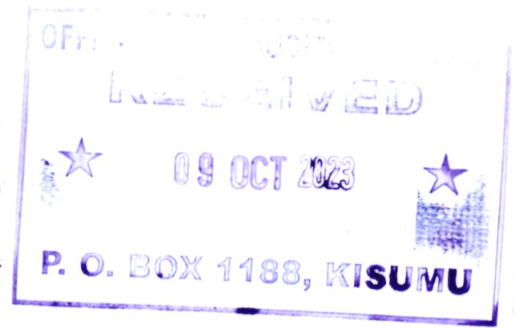
THE AUDITOR-GENERAL

ON

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

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

COUNTY GOVERNMENT OF KISUMU



**KISUMU URBAN PROJECT
PROJECT ADVANCE ACCOUNT**

CITY OF KISUMU

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

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Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

1. Acronyms and Glossary of terms

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

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

2. Project Information and Overall Performance Name

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

Objective

The key objective of the project is

The KUP aims at promoting an inclusive and sustainable development for Kisumu, through the modernization of the municipal management system and public policies, the improvement of land

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

management and urban planning, rehabilitation and creation of public facilities and infrastructures, by undertaking the project in the following areas;

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

Address

The project headquarters offices are Kisumu City Kisumu County, Kenya.

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

The project also has offices/branches as follows:

- Milimani Office, Tom Mboya Drive

Contacts: The following are the project contacts

Telephone: : Tel. No. +254 (0) 775 543 071

E-mail: kupsecretariat@ymail.com

Website: www.citycouncilofkisumu.or.ke

Project information and overall performance

1.1 Project Information

Project Start Date:	The project start date is 12 03 12
Project End Date:	The project end date is 30 06 2022
Project Manager:	The project manager is Mr Michael Abala Wanga, City Manager

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

Project Sponsor:	The project sponsor is :Agence Francaise De Developpement (AFD) : 5, Rue Roland Barthes, 75598 : Paris Cedex 12 : France : Reg. No. 775 665 599
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1.2 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Lands, Housing and Urban Development (State Department of Housing and Urban Development).
Project number	AFD AGREEMENT No CKE 1035.01.G
Strategic goals of the project	The strategic goals of the project are as follows: (i) promoting an inclusive and sustainable development for Kisumu, through the modernization of the municipal management system and public policies, the improvement of land management and urban planning, rehabilitation and creation of public facilities and infrastructures, by undertaking the project in the following areas:
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Technical Assistance and Capacity Building; (ii) Solid Wastage Management; (iii) Slum Upgrading; (iv) Commercial Infrastructure; (v) Public Infrastructures Rehabilitation
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Technical Assistance and Capacity Building; (ii) Solid Wastage Management; (iii) Slum Upgrading; (iv) Commercial Infrastructure; (v) Public Infrastructures Rehabilitation
Project duration	The project started on 12 th March,2012 and is expected to run until 30 June, 2022

Project Information and Overall Performance

1.3 Bankers

The following are the bankers for the current year:

Diamond Trust Bank Kenya Ltd
: West End Mall Branch, Jomo Kenyatta Highway

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

: P.O Box 1081-40100, Kisumu
: Account No.0075090002

1.4 Auditors

for the year under review the project is being audited by the Auditor General and PKF consulting Limited

1.5 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Michael Abala Wanga	City Manager	Masters in Business Administration	Project Manager
Peresia Omino	City Finance Officer	CPA(K),BCom	Finance officer
Charles Omollo	Project Administrative Officer	BCom, MBA ongoing	Project Administrator
Joseph Kisengo	Project Accountant	CPA(K),BBM	Project Accountant

1.6 Funding summary

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

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to		Undrawn balance to date	
			date – (30 06 2021)		(30 06 2022)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Grant						
AFD	€40M	KS4.0B	€36.026M	KS3.962B	0	KS27.06M
Total	€40M	KES 4.0B	€36.026M	KS3.962B	0	KS27.06M

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

Project information and overall performance (continued)

Below is the funding summary:

A. Application of funds

Application of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency	KShs	Donor currency KShs	KShs	Donor currency KShs	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(ii) Grant						
AFD	€40M	KS4.0B	36.026M	3.962B		
(iii) Loan	0.00	0.00	0.00	0.00		
(iv) Counterpart funds						
Government of Kenya	0.00	0.00	0.00	0.00		
Total	€40M	KS4.0B	36.026M	3.962B		

Project information and overall performance

1.7 Summary of Overall Project Performance:

KUP PROGRESS TABLE -

Assignment Details	Contract Amount (KES)	Contractor	Status	Progress	Expected completion date	Action
Completed Works, Services and Supplies						
CAA external Audit	6,084,154	Matengo and Associates	complete	100%		
Review of Kiswamp	8,605,000	Africa waste and environment Mngt Centre	complete	100%		
Decommissioning audit of Kachok	11,535,150	E-Cue Associates	complete	100%		
ESIA for civil works	8,302,000	Safe Environment Consultancy Ltd	complete	100%		
ESIA for building works	7,629,650	Rutal Water and Sanitation Organisation	complete	100%		
GIS office furniture	794,550	Bena General Merchants	complete	100%		
Land fill sitting study	5,707,200	Log Associates	complete	100%		
ISUD Plan(€ 271,790)	29,896,900	Nodalis Conceil	complete	100%		
Masonry fence and other improvements at KUP	1,700,000	Legend Contractors	complete	100%		
Temporary KUP office renovation	1,640,529	Rirkos Contractors	complete	100%		
28No High mast floodlights	124,506,189	Match Electricals Ltd	complete	100%		
KUP Secretariat ICT	1,650,000		complete	100%		
KUP Secretariat Project Vehicles	21,179,000	CMC Kenya Ltd	complete	100%		
Construction of Kakoth bridge	24,951,166	Calmex Construction Services Ltd	complete	100%		
Bio Centres	20,848,618	Umande Trust	complete	100%		
Satellite Imagery and Digital Mapping	7,991,830	Regional Centre for mapping and resources for development	complete	100%		
Hand tools and branded protective wares	4,956,000	Nyolas Enterprises	complete	100%		
Construction of Health Centre at Lumumba Phase 1	133,769,275	Chaju Builders Ltd.	complete	100%		
Supply of Motorcycles	3,159,000	Rockey Africa Ltd	complete	100%		
Design and supervision of construction of schools	31,626,535	Maestro Architects	complete	100%		
KUP TAT n° 1 2012/2016 (€ 2, 731, 050)	327,726,000	Sofreco	complete	100%		
Upgrade to gravel Otonglo - Prison - Auji - Pundo Rds	134,817,360	Esiko Kenya Enterprises Limited	complete	100%		
Design and supervision of construction of Jubilee Market	27,464,349	AAKI Consultants	complete	100%		
Design and supervision of construction of Kibuye Market	27,373,500	Dama Services	complete	100%		
Expansion of KUP offices-Force Account	1,878,674	Force Account	complete	100%		

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

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

3. Statement of Performance Against Project's Predetermined Objectives.

Introduction

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

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

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

Progress on attainment of Strategic development objectives

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

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kisumu Urban Project	<p>(i) promoting an inclusive and sustainable development in Kisumu</p> <p>(ii) Improvement of land management and urban planning.</p> <p>(iii) rehabilitation and creation of public facilities and infrastructure.</p> <p>(iv) Build the capacity of the Staff and members of the Project.</p>	<p>Increased efficient transportation of people, goods and services, urban planning, streetlightings, extended business hours, increased access to other service centres.</p>	<p>1.No bitumen roads build.</p> <p>2.Streetlights constructed along the bitumen roads</p> <p>3.Urban planning enhanced since there is master urban plan, Number of staff trained on key result areas.</p>	<p>In FY 2022/2023 we spent almost all the project funds to provide different services geared towards the achievement of the objectives of the project.</p>

4. Environmental and Sustainability Reporting

Kisumu Urban Project exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

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

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

4. Market place practices-

The organisation should outline its efforts to:

a) Responsible Supply chain and supplier relations-

explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

b) Responsible ethical practices

outline efforts to maintain ethical and anti- corruption practices and responsible political involvement.

c) Regulatory impact assessment

Safeguard citizen and stakeholder's rights.

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

5. Statement of project management responsibilities

The *Project Management team* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2023.

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

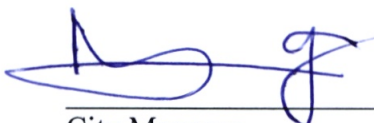
The *Project Management team* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Project Management team* are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date. The *Project Management team* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements

The Project financial statements were approved by the *Secretariat* on 23/08/2023 and signed by them.



City Manager
Name: Abala M Wanga



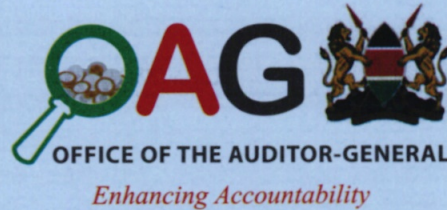
Finance Officer
Name: Peresia Omino



Project Accountant:
Name: Joseph Kisengo

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KISUMU URBAN PROJECT (PROJECT ADVANCE ACCOUNT) - CKE 1035.01.G FOR THE YEAR ENDED 30 JUNE, 2023 - COUNTY GOVERNMENT OF KISUMU

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kisumu Urban Project (Project Advance Account) set out on pages 1 to 17, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of

Report of the Auditor-General on Kisumu Urban Project (Project Advance Account) - CKE 1035.01.G for the year ended 30 June, 2023 - County Government of Kisumu

cash flows and the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, the financial position of the Kisumu Urban Project (Project Advance Account) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the terms of the Financing Agreement No. CKE 1035.01.G dated 5 July, 2010 and Addendum dated 19 February, 2020 between the French Development Agency and the Republic of Kenya; and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

According to the Financing Agreement No. CKE 1035.01.G Addendum No.4 dated 19 February, 2020 between the Republic of Kenya and AFD, the Project's technical completion date was 31 January, 2022 while the deadline for use of funds was to be 30 June, 2022.

During the year, no funds were received into the Project and no expenditure was made from the bank account which had a balance of Kshs.2,200,309. No handover of Project's assets or records were made to the parent entity.

The Project Management should commence the closure procedure and submit the report for audit.

My opinion is not modified on the effect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Financing Agreement, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. in my opinion, adequate accounting records have not been kept by the Project, so far as appears from the examination of those records; and,

- iii. The Project's financial statements are not in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

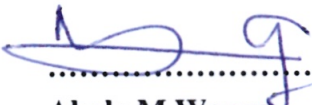
13 October, 2023

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023


7. Statement of Receipts and Payments for The Year Ended 30th June 2023.

	Note	2022-2023		2021-2022		Cumulative to-date
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Transfer from State Department of Housing and Urban Development	1	0	0	0	0	3,203,712,465
TOTAL RECEIPTS		0	0	0	0	3,203,712,465
		0	0	0	0	0
PAYMENTS		0	0	0	0	0
Purchase of goods and services	2	0	0	142,251,339	0	1,197,390,734
Transfers to CEF	3	0	0	0	0	44,080,640
Acquisition of non-financial assets	4	0	0	164,027,025	0	1,665,446,873
Refund of performance bond					0	10,851,362
TOTAL PAYMENTS		0		306,278,365	0	2,917,769,609
SURPLUS/(DEFICIT)				(306,278,365)	0	285,942,856


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



Abala M. Wanga
 City manager



Peresia A. Omino
 Finance officer

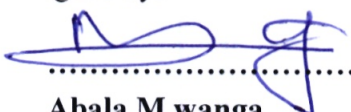


Joseph L. Kisengo
 Project Accountant

8. Statement of Financial Assets as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash And Cash Equivalents			
Bank Balances	5.A	2,200,309	27,068,262
Cash Balances	5. B		
Cash Equivalents (Short-Term Deposits)	5.C		
Total Cash and Cash Equivalents		2,200,309	27,068,262
Imprests and Advances	6		
Total Financial Assets		2,200,309	27,068,262
Financial Liabilities			
Deposits and Retention Monies	7		
Net Assets			
Represented By			
Fund Balance b/fwd	8	27,068,262	333,345,283
Prior Year Adjustments	9	(24,867,953)	0
Surplus/(Deficit) For the Year		0	(306,278,365)
Net Financial Position		2,200,309	27,068,262


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23-8- 2023 and signed by:



Abala M wanga
 City Manager



Peresia A. Omino
 Finance officer



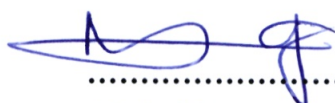
Joseph Kisengo
 Project Accountant

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

9. Statement of Cashflow for the Year Ended 30th June 2023

Description	Notes	2022-2023	2021-2022
		KShs	KShs
Cash flow from operating activities			
Receipts			
Transfer from government entities	1	0	0
Total Receipts		0	0
Payments			
Purchase of goods and services	2	0	142,251,339
Transfers to CEF	3		0
Acquisition of non-financial assets	4	0.	164,027,025
Refund of performance bond			
TOTAL PAYMENT		0	306,278,365
Prior year adjustments	9	(24,867,953)	
SURPLUS/ (DEFICIT)		2,200,309	27,068,262
Cash and cash equivalent at beginning of the year	5	27,068,262	333,345,283
Cash and cash equivalent at end of the year	5	2,200,309	27,068,262

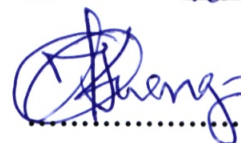
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 23-8- 2023 and signed by:



Abala M wanga
City Manager



Peresia A.Omino
Finance Officer

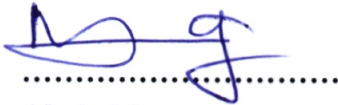


Joseph Kisengo
Project Accountant

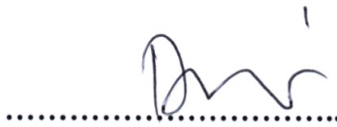
10. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2023

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	A	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	-	-	-	-	-	0%
Total Receipts	-	-	-	-	-	0%
Payments						
Purchase of goods and services						
Acquisition of non-financial assets						
Transfers to CEF	-	-	-			
Total Payments						

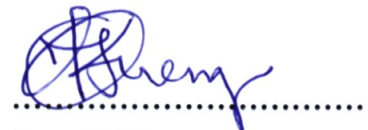
Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.



Abala Mwanga
City Manager



Peresia A. Omino
Finance officer



Joseph Kisengo
Project Accountant

11. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

10.2 Reporting entity

The financial statements are for the Kisumu Urban Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012

10.3 Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies

iii) Other receipts

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

a) Donations and grants

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

b) Proceeds from borrowing

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

c) Undrawn external assistance

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

d) Recognition of payments

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

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

Significant Accounting Policies

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

e) In-kind donations

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

Significant Accounting Policies

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

g) Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

h) Imprests and Advances

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

i)Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:

Significant Accounting Policies

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

j) Contingent Assets

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

k) Pending bills

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

Significant Accounting Policies

l) Budget

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

m) Third party payments

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

n) Exchange rate differences

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

Kisumu Urban Project Advance account Annual Report and Financial Statements For the financial year ended June 30, 2023

Significant Accounting Policies

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to-date (from inception)
	2022-2023	2021-2022	
Counterpart funding through Ministry			
Grants from the Ministry	0	0	3,203,712,465
	0	0	0
	0	0	0
Other transfers from government entities	0	0	0
Total	<u>0</u>	<u>0</u>	<u>3,203,712,465</u>

Purchase of Goods and services

Description	KShs	KShs	Cumulative to-date (from inception)
	2022-2023	2021-2022	
Counterpart funding through Ministry			
urchase of Goods and services	0	142,252,339	1,197,390,734
	0	0	0
Total	0	<u>142,252,339</u>	<u>1,197,390,734</u>

4. Acquisition of non-financial Assets

Description	KShs	KShs	Cumulative to-date (from inception)
	2022-2023	2021-2022	
Counterpart funding through Ministry			
	0		0
Acquisition of non-financial Assets	0	164,027,025	1,665,446,873
Total	0	<u>164,027,025</u>	<u>1,665,446,873</u>

Kisumu Urban Project
Annual Report and Financial Statements For the financial year ended June 30, 2023

A Cash And Cash Equivalents

Description	2022-2023	2021-2022
	KShs	KShs
Bank accounts	2,200,309	27,068,262
Cash in hand		
Cash equivalents (short-term deposits) (Note 8.13C)		
Total	<u>2,200,309</u>	<u>27,068,262</u>

Project Bank Accounts

Details	2022-2023	2021-2022
	KShs	KShs
Total Foreign Currency balances		
<u>Local Currency Accounts</u>	2,200,309	27,068,262
Central Bank of Kenya [A/c No.....]		
Diamond Trust Bank [A/c No0075090002...]	2,200,309	27,068,262
Co-operative Bank of Kenya [A/c No.....]		
Others (<i>specify</i>)		
Total local currency balances		
Total bank account balances	<u>2,200,309</u>	<u>27,068,262</u>

8 Fund Balance Brought Forward

Description	2022-2023	2021-2022
	KShs	KShs
Bank accounts	2,200,309	27,067,290
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding Imprests and advances		
Total	<u>2,200,309</u>	<u>27,067,290</u>

9 .A. Prior year adjustments

Description	2022-2023	2021-2022
	KShs	KShs
Others (Purchase of goods and services and acquisition of non-financial assets)	24,867,953	
Total	<u>24,867,953</u>	

9.B. Prior year adjustments under Purchase of goods and services and Acquisition of non-financial assets

Purchase of goods and services			17,983,536
Acquisition of non-financial assets			6,884,417
Totals			24,867,953
Purchase of goods and services			
	2.A Consultancy Services	9,128,018	
	2. B Supply	3,930,789	

Kisumu Urban Project

Annual Report and Financial Statements For the financial year ended June 30, 2023

	2. C Administration/Operations Cost	3,168,902	
	2. D Services	179,777	
	2. E Capacity Building	1,576,050	
		17,983,536	
A Consultancy services			
Date	Particulars	Chq No.	Amount
01-Jul-22	Price Water House Coopers	1044	1,156,625
01-Jul-22	Pkf Kenya Llp	1039	7,572,393
04-Jul-22	Edon Consultants	1055	399,000
Total			9,128,018
B Supply			
Date	Particulars	Chq No.	Amount
01-Jul-22	Olapma General Merchants	1057	1,542,931
01-Jul-22	Olapma General Merchants	1056	2,387,858
Total			3,930,789
C. Administration/Operations cost			
Date	Particulars	Chq No.	Amount
01-Jul-22	Commision Of Domestic Taxes	1059	27,069
01-Jul-22	Commision Of Domestic Taxes	1053	572,627
01-Jul-22	Commision Of Domestic Taxes	1058	41,893
01-Jul-22	Commision Of Domestic Taxes	1051	63,276
01-Jul-22	Commision Of Domestic Taxes	1050	1,102,707
04-Jul-22	E Tax		661,324
06-Jul-22	Destiny World Travel Ltd	1060	13,300
06-Jul-22	Commision Of Domestic Taxes	1070	675,450
	Bank Charge		11,256
Total			3,168,902
D Services			
Date	Particulars	Chq No.	Amount
01-Jul-22	Sovereign Hotel Limited	1037	179,777
Total			179,777

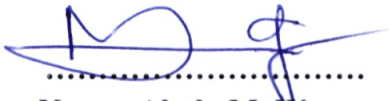
E Capacity building			
Date	Particulars	Chq No.	Amount
01-Jul-22	Diamond Trust Bank	1047	1,576,050
Total			1,576,050
Acquisition of non-financial assets			
A. Works			
Date	Particulars	Chq No.	Amount
01-Jul-22	Watiti Construction Limited	1043	236,329
01-Jul-22	Shevana Enterprises Limited	1049	220,416
01-Jul-22	Chaju Builders	1041	3,303,502
01-Jul-22	Sanabil General Suppliers Ltd	1045	3,004,201
04-Jul-22	Chs County Engineering	1064	119,969
Total			6,884,417

Kisumu Urban Project


Annual Report and Financial Statements For the financial year ended June 30, 2023

Guidance Notes:

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



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



.....
Name: Peresia A. Omino
Finance officer

13. Progress On Follow Up Of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>1. Purchase of Goods and Services</p> <p>As disclosed in Note 2 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.164,895,270 in respect of purchase of goods and services. However, examination of records revealed the following unsatisfactory issues: -</p>				
	<p>1.1 Unsupported Consultancy Services</p> <p>The balance includes an amount of Kshs.28,885,708 incurred on consultancy services. The main expenditure was incurred on feasibility study, design and construction of Project. However, it is not clear which new projects were being consulted on as the Project has been in existence for the last three years. No evidence was provided to indicate whether the expenditure was incurred to settle existing obligations or pending bills</p>				
	<p>1.2 Misclassification of Non-financial Assets as Supplies</p> <p>Further, the balance includes an amount of Kshs.65,376,901 described as Supply which includes items of furniture, medical equipment and</p>				

Kisumu Urban Project

Annual Report and Financial Statements For the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>other equipment with a cumulative value of Kshs.61,663,903 which are non-financial assets in nature and no procurement plans was provided in support of the acquisition of such assets. No explanation was provided for accounting for non-financial assets as supplies.</p>				
	<p>1.3 Unsupported Administration Costs</p> <p>In addition, the balance includes an amount of Kshs.56,114,280 under administration costs which includes amounts of Kshs.10,622,116 and Kshs.7,430,324 paid to two (2) auditing firms for the provision of external audit services. Although, Article 3.4.3 (e) of the Credit Agreement provides for semi-annual audits of the Project by an external auditor, it is not clear how the external auditors were hired as there is no evidence on how their fees, scope of work, reporting channels and feedback was to be determined. The balance also includes an amount of Kshs.12,504,483 in respect of taxes paid to the Commissioner of Domestic Taxes. It is not clear how the taxes arose or the purpose for which it was paid.</p> <p>Further, an amount of Kshs.10,216,040 was incurred as per diems for workshops, seminars and travel. No reason was provided for failure to have the expenditure</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>recorded under capacity building. No work plans were provided to indicate whether the expenditures had been planned for.</p> <p>In the circumstances, the accuracy and completeness of expenditure amounting to Kshs.164,895,270 under purchase of goods and services could not be confirmed</p>				
	<p>2. Cash and Cash Equivalents</p> <p>The statement of financial assets reflects cash and cash equivalents balance of Kshs.2,201,557 as at 30 June, 2022. However, during the year under review, Management recorded expenditure of Kshs.299,173,957 out of the opening balance of Kshs.296,972,400 which should have left an overdraft of Kshs.2,201,557. This therefore results to a variance of Kshs.4,403,114 which has not been explained or reconciled. Further, the statement of cashflows for the year ended 2020/2021 reflected cash and cash equivalent at end of the year of Kshs.351,234,781 and a restated balance of Kshs.296,972,400 resulting to a variance of Kshs.54,262,381 which has not been explained or reconciled.</p> <p>In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.2,201,557 could not be confirmed.</p>				
	<p>3. Unauthorised Expenditure - Lack of Approved Budget</p>				

Kisumu Urban Project

Annual Report and Financial Statements For the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>The statement of receipts and payments reflects payments amounting to Kshs.299,173,957. However, according to the statement of comparative budget and actual amounts, the expenses were not budgeted for during the year under review and no reason was provided for incurring expenditure without an approved budget and annual work plan as required,</p>				
	<p>Outstanding Pending Bills</p> <p>The Kisumu Urban Project had pending financial obligations of Kshs.29,537,348 as reflected in Annex 2 to the financial statements after the expiry of the Project period on 30 June, 2022. Although Management has explained that necessary follow ups have been made with the donor, the State Department of Housing and The National Treasury, no documentary evidence was provided in support of this explanation.</p> <p>In the circumstances, the settlement of these obligations could not be confirmed.</p>				
	<p>1. Acquisition of Non-Financial Assets</p> <p>As disclosed in Note 3 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.134,278,688 in respect of acquisition of non-financial assets. However, examination of records revealed the following unsatisfactory issues: -</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>1.1 Delayed Execution of Contract</p> <p>The balance includes an expenditure of Kshs.134,278,688 in respect of acquisition non-financial assets which, as disclosed under Note 3 to the financial statements includes payments amounting to Kshs.61,260,140 that was paid to a contractor for a contract to upgrade Otonglo Market. Examination of records revealed that the contract agreement was dated 30 December, 2020, contract sum was Kshs.79,468,296 and a period of forty (40) weeks which was estimated to end on 30 October, 2021. Further, a contract addendum No. 1 on cost and time extension was entered into on 21 February, 2022 for an additional cost of Kshs.19,459,409 for a further twenty-one (21) weeks, respectively.</p> <p>Although the original market area was reduced from 2570m² to 2313 m², the project cost went up by Kshs.19,459,409. Management has not given justification for the cost escalation given that the original market area was reduced as part of the land was claimed by Kenya Railways Corporation. The certificate of practical completion and handing-over report were not provided for audit verification. Physical verification conducted at Otonglo Market site in October, 2022 revealed that the market structure was complete, but no electricity connection had been done to the facility and it had not been commissioned for use.</p>				

Kisumu Urban Project

Annual Report and Financial Statements For the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	<p>1.2 Failure to Execute Contract on Proposed Completion of Low Volume Access Roads - (Kemri-Otonglo-Tengere-Rota Road)</p> <p>Further, the balance constitutes payments amounting to Kshs.17,268,825 paid to a construction company for the construction of low volume access roads at an initial contract sum was Kshs.63,687,970 and a contract period of eight (8) months commencing on 7 December, 2018 and ending on 7 August, 2019. At the time of the audit, the contractor had been paid a total of Kshs.56,015,330 representing 88% of the contract sum.</p> <p>Physical verification of the Project in October, 2022 revealed that the contractor was not on site and the project was still incomplete due to failure of the concrete beams to meet the tests carried out. Management did not provide explanation on the action being taken to have the project completed. The contractor requested for an extension of the contract period to 31 December, 2019 but there was no evidence that the request was accepted. Further, the performance security bond that the contractor had provided was valid up to 28 July, 2019 and there was no evidence provided on the renewal of the bond.</p>				
	<p>1.3 Proposed Construction of Perimeter Wall & Installation of Gates at KWS</p>				

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Further, the balance constitutes payments amounting to Kshs.1,939,788 which was paid to a construction company for the construction of a perimeter wall and installation of two (2) gates and a pedestrian gate at KWS. Physical verification carried out in October, 2022 revealed that the contractor used concrete blocks, installed only one gate and did not install any pedestrian gate against bills of quantities which required natural stone superstructure, installation of two (2) steel gates and a pedestrian gate respectfully.</p> <p>In the circumstances, value for money in respect of Kshs.80,468,753 paid during the year towards the project could not be established.</p>				
	<p>2. Construction of Impala-Dunga-Nanga-Five Ways Road</p> <p>The statement of receipts and payments reflects expenditure amounting to Kshs.134,278,688 on acquisition of non-financial assets which as disclosed in Note 3 to the financial statements includes a payment of Kshs.6,384,501 paid to a construction company for installation of street lighting. Examination of tender documents revealed that a contract agreement dated 23 March, 2018 was entered into between the County Government of Kisumu, City of Kisumu and the contractor for the construction of Impala-Dunga-Nanga-five ways road at a contract sum of Kshs.301,145,590.</p>				

Kisumu Urban Project

Annual Report and Financial Statements For the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>In an Addendum No.1 dated 21 July, 2019, the procuring entity introduced installation of street lights along the entire stretch of the road to the contract and increased the contract sum by Kshs.31,377,727 which represents 10.4% contract variation contrary to Section 75 (1) and (2) of the Public Procurement and Asset Disposal Act, 2015 which states that a procuring entity may amend the tender documents at any time before the deadline for submitting tenders by issuing an addendum without materially altering the substance of the original tender and an amendment may be made on the procuring entity's own initiative or in response to an inquiry by a candidate or tenderer.</p> <p>In the circumstances, Management was in breach of the law.</p>				
	<p>Non-Registration of Heavy-Duty Refuse Compactor</p> <p>As reported in the previous year, the Project Management purchased a heavy duty refuse compactor equipment in July, 2020 for Kshs.48,990,000. However, ownership documents in respect of the machine were not provided for audit verification. In addition, the equipment did not have a serialised registration code for ease of identification.</p> <p>In the circumstances, the ownership and tracking of the equipment could not be confirmed.</p>				

14. Annexes

Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23 (a)	*Purchases/Ad ditions in the Year (KShs) 2022/23 (b)	**Disposals in the Year (KShs) 2022/23 (c)	Transfers in/(out) Kshs 2022/23 (d)	Closing Cost (KShs) 2022/23 (e)= (a)+ (b)-(c)+(-)d
Land					
Motor vehicles	31,423,956				31,423,956
Office furniture and equipment	7,589,518				7,589,518
Motor cycles	3,217,500				3,217,500
Sign posts	86,248				86,248
Plant and Machinery	99,879,255				99,879,255
ICT computers and equipment	6,457,465				6,457,465
Community Assets	941,559,382				941,559,382
Total	<u>1,096,212,964</u>				<u>1,096,212,964</u>

Kisumu Urban Project

Annual Report and Financial Statements For the financial year ended June 30, 2023

TRIAL BALANCE FOR THE YEAR ENDED 30TH JUNE 2023		
Details	DR.	CR.
	Ksh.	Ksh.
Cash at Bank	2,200,309	
Surplus b/d		2,200,309
TOTAL	<u>2,200,309</u>	<u>2,200,309</u>

CITY OF KISUMU		KISUMU URBAN PROJECT		AFD CREDIT NO CKE 1035.01.G		BANK RECONCILIATION		As at 30TH JUNE, 2023		
DESCRIPTION							AMOUNT (KSH)			
Balance as per Bank Certificate							2,200,309.25			
1) Less: Payments in Cash Book not yet recorded in Bank statement (Unpresented Cheques)							14,180.00			
2) Less: Receipts in Bank statement not yet recorded in Cash Book							-			
3) Add: Payments in Bank Statement not yet recorded in Cash Book							-			
4) Add: Receipts in Cash Book not yet recorded in Bank statement							2,186,129.25			
Balance as per Cash Book							2,186,777.70			
Difference							(648.45)			
1. PAYMENTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT					2. RECEIPTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK					
CHEQUE					DETAILS					
NO.	DATE	PAYEE	AMOUNT (KSH)	DATE	DESCRIPTION	AMOUNT (KSH)				
	30/06/22	UNPRESENTED CHEQUES	14,180.00							
TOTALS			14,180.00	TOTALS						
3. PAYMENTS IN BANK STATEMENT NOT YET RECORDED IN CASH BOOK					4. RECEIPTS IN CASH BOOK NOT YET RECORDED IN BANK STATEMENT					
CHEQUE					DETAILS					
NO.	DATE	PAYEE	AMOUNT (KSH)	DATE	DESCRIPTION	AMOUNT (KSH)				
TOTALS			-	TOTALS						

PREPARED BY :
JOSEPH KISENGO

ACCOUNTANT

DATE: 5/7/23

VERIFIED BY :
JOHN OYOO
CHIEF ACCOUNTANT

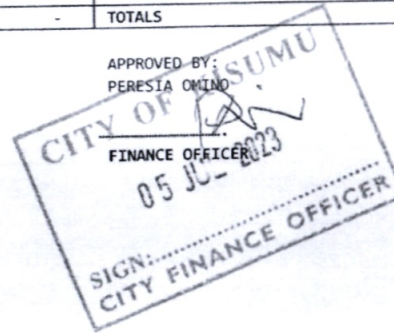
DATE: 5/7/23

APPROVED BY:
PERESIA OKINDO

FINANCE OFFICER

SIGN: _____
CITY FINANCE OFFICER

DATE: _____



DTB | DIAMOND
TRUST
BANK

Date: 07-08-2023 11:08:15

Account Statement

Page 1 Of 2

Account Number: 0075080002
Account Title: CITY OF KISUMU-AFD PROJECT ADVANCE A/C-
CUR KES
Account Ccy: KES
Account Branch Code: 049
Account Branch Name: WEST END MALL BRANCH

Report From Date: 01-JAN-2023
Report To Date: 07-AUG-2023

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

KES - Opening Balance
2,200,309.25

Trn Dt	Reference No	Transaction Detail	Addl Text	Value Dt	Instrument Code	Debit Amt	Credit Amt	Balance
24-JUL-2023	000X451232050098	CERT. OF BAL/AUDIT CONFIRMATION CHG	AUDIT CONFIRMATION	24-JUL-2023		600.00	0.00	2,199,709.25

Summary And Details Of The Account

Summary

KES - Opening Balance as per 01-JAN-2023:	2,200,309.25
Total Debit Amt :	600.00
Total Credit Amt :	0.00
KES - Closing Balance as per 07-AUG-2023 :	2,199,709.25

Details Till Today (07-AUG-2023 11:08:15)

Available Balance :	2,199,709.25
Current Balance :	2,199,709.25
Blocked Amount :	0.00
Uncollected Amount :	0.00

** - Unauthorized Transaction
R - Reversal Transaction