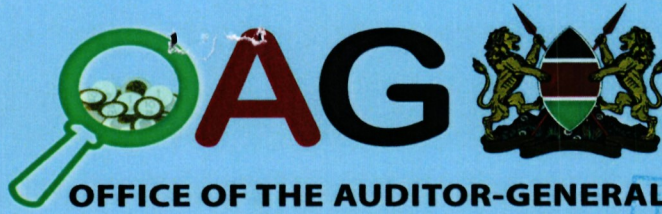


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT

NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 FEB 2022	DAY: Thurs
TABLED BY: LOM	
CLERK-AT-THE-TABLE: B. Inzofu	

THE AUDITOR-GENERAL

ON

**KISUMU URBAN PROJECT (CASH
EXPENDITURE FUND)-CKE 1035.01.G**

**FOR THE YEAR ENDED
30 JUNE, 2021**

COUNTY GOVERNMENT OF KISUMU



Project Name KISUMU URBAN PROJECT (CASH EXPENDITURE FUND)

Implementing Entity CITY OF KISUMU

PROJECT GRANT/CREDIT NUMBER CKE 1035.01. G

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

CONTENTS

PAGE

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	iii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES	viii
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY	viii
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.....	ix
5. REPORT OF THE INDEPENDENT AUDITORS ON THE KISUMU URBAN PROJECT	x
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021	2
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
10. SIGNIFICANT ACCOUNTING POLICIES	5
11. NOTES TO THE FINANCIAL STATEMENTS	13
7 PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS.....	18
14.1 ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS	23
15. APPPENDICES	24

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Kisumu Urban Project-Cash Expenditure Fund Account

Objective: The key objective of the project is

Address: The project headquarters offices are City of Kisumu, Kisumu County, Kenya.

The address of its registered office is:

Milimani Office, Tom Mboya Drive

P.O Box 7492-40100

KISUMU.

Contacts: The following are the project contacts

Telephone: (254) 77554307

E-mail: kupsecretariat@ymail.com

Website: www.citycouncilofkisumu.or.ke

1.2 Project Information

Project Start Date:	The project start date is 12 03 12
Project End Date:	The project Technical Completion Date is 31 01 2022.
Project Manager:	The project manager is Mr. Michael Abala Wanga
Project Sponsor:	The project sponsor is ----French Development Agency (AFD)

***Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Housing and Urban Development, Ministry of lands and Housing.
Project number	AFD-CKE 1035.01. G
Strategic goals of the project	The strategic goal of the Cash Expenditure Fund is to finance the operational activities associated with the implementation of Project as indicated in clause 3.4.3(a) of the Credit Facility Agreement.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) ensuring the availability of adequate cash to finance eligible operational expenditures associated with the implementation of the Project.
Other important background information of the project	The project is financed through a transfer of funds from the Project Advance Account (PAA) to the Cash Expenditure Fund as provided under clause 4(b)(ii) paragraph 6 of amendment No 2 to the Credit Facility Agreement (CFA).
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) to fund eligible operational activities associated with the implementation of the Project
Project duration	The project started on 12th March,2012 and is expected to run until 31 January 2022

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank, Kisumu Branch
P.O Box 17-40100
KISUMU.
Current Account No.1120413257
Account Name: MCK-AFD KISUMU URBAN PROJECT

***Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

1.5 Auditors

The project is audited by the Auditor General.

1.6 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	Overall Administration.
Emmanuel Opetu	City Finance Officer	CPA, BCom	Resource Allocation
Japheth Orwa	Project Accountant	CPA, BCom, Financial Management for Donor Funded Projects, SMC, MBA (On going)	Budgeting, Payment processing, Reporting and Audit Management.
Charles Omollo	Project Administrator	BCom, Masters (On-going)	Project Administration

1.7 Funding summary

The Project is for duration of 10 years from 2012 to 2022 with an approved budget of € 500,000 (use donor currency) equivalent to approximately KShs 50M as highlighted in the table below:

Below is the funding summary:

Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021

Source of funds	Donor Commitment-		Amount received to date – (dd mm 2021)		Undrawn balance to date (dd mm 2021)	
	Donor currency (€)	KShs	Donor currency (€)	KShs	Donor currency (€)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
French Development Agency	500,000	50,000,000	521,576.36	59,045,119	(21,576.36)	(9,045,119)
Insert name of donor						
(ii) Loan						
Insert name of development partner						
Insert name of development partner						
(iii) Counterpart funds						
Government of Kenya				8,500,000		
Total	500,000	50,000,000	521,576.36	67,545,119	(21,576.36)	(9,045,119)

The total amount of grant funds received to date in the Cash Expenditure Fund (CEF) of KShs 59,045,119 has been translated to Euro 521,576.36 at the conversion rate ruling on the day of receipt of cash into the CEF.

Description	Date	KShs	Conversion Rate	€
Transfer from UDD to CEF	12/10/2012	4,000,000	110.41	36,229
Transfer from UDD to CEF	29/04/2013	4,320,000	109.8	39,344
Transfer from UDD to CEF	31/03/2014	2,443,232	119.05	20,523
Transfer from UDD to CEF	18/12/2014	8,500,000	111.13	76,487
Transfer from PAA to CEF	9/12/2016	16,500,000	107.92	152,891
Transfer from PAA to CEF	10/11/2017	11,222,875	120.64	93,028
Transfer from PAA to CEF	30/5/2018	1,859,012	118.45	15,694
Transfer from PAA to CEF	28/9/2018	5,901,247	117.01	50,434

***Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

Transfer from PAA to CEF	9/8/2019	4,298,753	116.35	36,947
Total AFD Funding		59,045,119		521,576
GoK Counterpart funding		8,500,000		
Total Funding to CEF		67,545,119		

1.8 Summary of Overall Project Performance:

There were no receipts during the year under review since all receipts under the lending agreement have been received in the CEF. Only bank charges were incurred and outstanding imprest during the year 2019/2020 liquidated and charged to expenditure.

1.9 Summary of Project Compliance:

The project was initially budgeted for 4 years from 2012 to 2016 however due to challenges, it has been extended to 2022. The amount initially allocated to finance operational activities for the initial four years could not be enough beyond the four years. This led to the "overdrawing" of the CEF account. All transfers to the CEF received prior had no objection from the lender.

The City of Kisumu made a request to the lender for additional funding of KShs 7,000,000 for the CEF.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

The objective of the Cash Expenditure Fund (CEF) is to finance the operational activities associated with the project. Since there was no funding during the year under review, the operational activities associated with the project were not financed during the year.

Project	Objective	Outcome	Indicator	Performance
Cash Expenditure Fund	To provide adequate operation funding to fund legitimate and eligible operation expenses associated with the implementation of the project.	Increased facilitation of operational activities associated with the implementation of the Project.	Operational activities of the project have been adequately funded in the past, however due to limited funding in the year 2020/2021 we have not been able to finance any operational activities except bank charges.	In FY 2020/2021 there were no receipts to finance operational activities of the project.

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY

The key objective of the Cash Expenditure Fund Account as provided under clause 3.4.3(a) of the Credit Facility Agreement is to provide adequate operation funding to fund legitimate and eligible operation expenses associated with the implementation of the project.

The funding to the CEF is drawn from the Project Advance Account as provided under Amendment No 1 clause 3. The project must obtain a prior No objection from the donor before transferring the funds to the CEF.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The management of Kisumu Urban Project 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

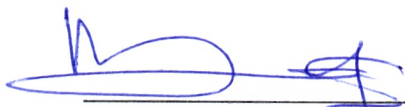
The Management of the project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Management of the project 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, 2021, and of the Project's financial position as at that date. The management of project 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 management of the Project 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.

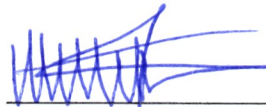
Approval of the Project financial statements

The Project financial statements were approved by the project Secretariat on 20/8/2021 and signed by them.



City Manager
Name: Michael Abala Wanga

Number:9444



Finance Officer
Name: Emmanuel Opetu

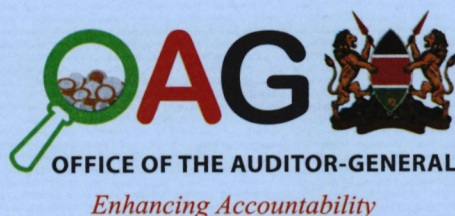


Project Accountant
Name: CPA Japheth Orwa
ICPAK Member

5. REPORT OF THE INDEPENDENT AUDITORS ON THE KISUMU URBAN PROJECT

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 (CASH EXPENDITURE FUND)-CKE 1035.01.G FOR THE YEAR ENDED 30 JUNE, 2021 - 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, gazetted 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 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 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

Adverse Opinion

I have audited the accompanying financial statements of Kisumu Urban Project-Cash Expenditure set out on pages 1 to 22, which comprise the statement of financial assets

Report of the Auditor-General on Kisumu Urban Project (Cash Expenditure Fund)-CKE 1035.01.G for the year ended 30 June, 2021- County Government of Kisumu

as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 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, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kisumu Urban Project-Cash Expenditure Account as at 30 June, 2021, 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, 2020 and Addendum No.4 dated 19 February, 2020 between the Republic of Kenya and Agency Francaise De Developpement (AFD) and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Statement of Financial Assets

The statement of financial assets reflects total financial assets balance of Kshs.196,589 as at 30 June, 2021 while the funding section casts to an amount of Kshs.8,129 though reported as Kshs.196,589, resulting in a variance of Kshs.188,460 which has not been reconciled or explained.

Further, the statement of receipts and payments reflects a cumulative deficit balance of Kshs.7,604,142 while the reported cash balance for statement of financial assets is Kshs.8,089 resulting to an unexplained variance of Kshs.7,612,231.

Consequently, the accuracy and validity of the prior year adjustment balance of Kshs.188,460 as at 30 June, 2021 could not be confirmed.

2. Trial Balance

The financial statements as at 30 June, 2021 were not supported by a trial balance. There was also no ledger to support the basis of preparation of the financial statements. In addition, the opening balances reflect a net finance position that does not agree with the audited financial statements.

Consequently, the accuracy of the financial statements for the year ended 30 June, 2021 could not be ascertained.

3. Statement of Cashflow

The statement of cashflows for the year ended 30 June, 2021 reflects cash and cash equivalents at the end of the year balance of Kshs.923,118 while the statement of assets reflects cash and cash equivalent balance of Kshs.8,089 as at 30 June, 2021 resulting in a variance of Kshs.915,029 which has not been explained or reconciled.

Consequently, the accuracy of the statement of cashflow for the year ended 30 June, 2021 could not be ascertained.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Management are responsible for the other information, which comprises project information and overall performance, the statement of performance against project pre-determined objectives, statement of corporate social responsibility and the statement of management' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Approved Budget and Workplan

During the year under review, the Project recorded expenditure of Kshs.6,265,106 on purchase of goods and services. However, the management did not avail an approved budget and workplan for 2020/2021 as required by law and financing agreement.

2. Unauthorised Payments

During the year under review, the project recorded payments amounting to Kshs.6,265,106 on purchase of goods and services against nil budget giving rise to unauthorised expenditure of Kshs.6,265,106. No reason was however provided for operating without an approved budget. In the circumstances, the expenditure of Kshs.6,265,106 is unauthorised.

Although the Management has explained that the expenditure of Kshs.6,265,106 on purchase of goods and services related to surrender of imprests relating to prior years, no further justification has been provided.

Consequently, the Management breached the law.

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, except for the matters described in the Basis for Qualified Opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 Management of 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 control 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 control, risk management and governance.

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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 control.
- 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 sustain its services.

- Evaluate the overall presentation, structure and content of the Project 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 control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2021

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The management of Kisumu Urban Project 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, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

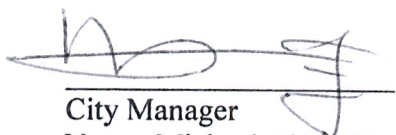
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The management of the Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for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

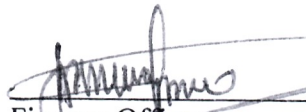
Approval of the Project financial statements

The Project financial statements were approved by the project Secretariat on 20/8/2021 and signed by them.

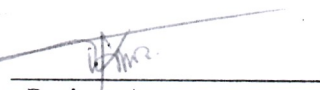


City Manager
Name: Michael Abala Wanga

Number:9444



Finance Officer
Name: Emmanuel Opetu



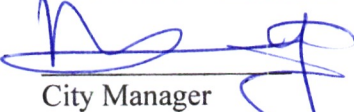
Project Accountant
Name: CPA Japheth Orwa
ICPAK Member

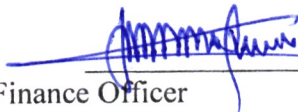
*Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

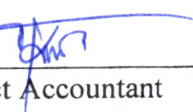
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020/21		2019/20		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	805,926,100	0	3,203,712,465
TOTAL RECEIPTS		0	0	805,926,100	0	3,203,712,465
PAYMENTS						
Purchase of goods and services	2	241,359,653		326,261,877	0	1,032,495,464
Transfers to CEF	3	0		4,298,753		44,080,640
Acquisition of non-financial assets	4	290,592,318		301,141,525		1,531,168,185
Refund of performance bond						10,851,362
TOTAL PAYMENTS		531,951,971		631,702,155		2,618,595,651
SURPLUS/(DEFICIT)		(531,951,971)		174,223,945		585,116,814

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


City Manager
Name: Michael A. Wanga


Finance Officer
Name: Emmanuel Opetu



Project Accountant
Name: Japheth Orwa
ICPAK Member Number:9444

*Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

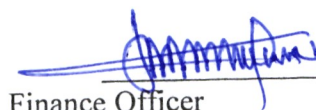
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020/21	2019/20
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	5	296,972,400	822,287,913
Cash Equivalents (short-term deposits)			
Total Cash and Cash Equivalents		296,972,400	822,287,913
Accounts receivables – Imprest and Advances	6	0	1,305,786
TOTAL FINANCIAL ASSETS		296,972,400	823,593,699
REPRESENTED BY			
Fund balance b/fwd		845,169,035	670,945,090
Prior year Adjustment	7	(16,244,664)	
Surplus/(Deficit) for the year		(531,951,971)	174,223,945
NET FINANCIAL POSITION		296,972,400	845,169,035

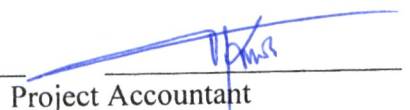
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 10/07/2021 and signed by:



City Manager
Date



Finance Officer
Date



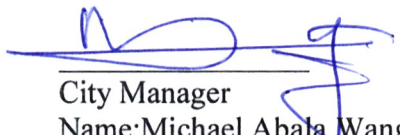
Project Accountant
Date
ICPAK Member Number: 9444

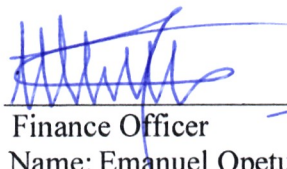
Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021

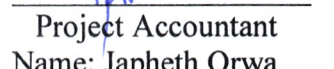
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED
30TH JUNE 2021**

	Note	2020/21		2019/20		Cumulative to-date
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	
RECEIPTS						
Transfer from PAA and Ministry	1	-	-	4,298,753		59,045,119
Cash deposits	1	-	-	100		887,770
TOTAL RECEIPTS		-	-	4,298,853	-	59,932,889
PAYMENTS						
Purchase of goods and services	2	6,265,106	-	4,355,185	-	67,537,031
TOTAL PAYMENTS		6,265,106	-	4,355,185		67,537,031
SURPLUS/(DEFICIT)		(6,265,106)	-	(56,332)	-	(7,604,142)

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


City Manager
Name: Michael Abala Wanga


Finance Officer
Name: Emanuel Opetu


Project Accountant
Name: Japheth Orwa
ICPAK Member Number: 9444

***Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	3	8,089	9,532
Cash Balances	3	-	40
Cash Equivalents (short-term deposits)			-
Total Cash and Cash Equivalents		8,089	9,572
Accounts receivables – Imprest and Advances	4	188,500	6,263,663
TOTAL FINANCIAL ASSETS		196,589	6,273,235
REPRESENTED BY			
Fund balance b/fwd	5	6,273,235	6,518,027
Surplus/(Deficit) for the year		(6,265,106)	(56,332)
NET FINANCIAL POSITION		196,589	6,273,235

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20/8/2021 and signed by

Principal Secretary
Date

Project Coordinator
Date

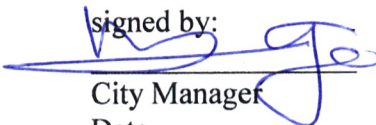
Project Accountant
Date
ICPAK Member Number:9444

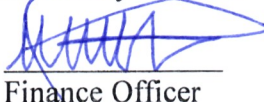
*Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

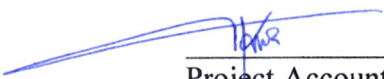
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021

		2020/21	2019/20
	Note	KShs	KShs
Receipts for operating activities			
Transfer from PAA	1	-	4,298,753
Miscellaneous receipts-cash deposits	1	-	100
Total		-	4,298,853
Payments for operating activities			
Purchase of goods and services	2	6,265,106	4,355,185
Net cash flow from operating activities		(6,265,106)	(56,332)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets			
Net cash flows from Investing Activities		-	-
Increase/Decrease in other receivables	4	6,075,163	
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		(189,943)	(56,332)
Cash and cash equivalent at BEGINNING of the year		(733,175)	(676,843)
Cash and cash equivalent at END of the year		(923,118)	(733,175)

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 20/8/2021 and signed by:


City Manager
Date

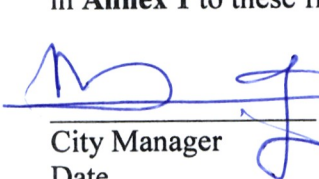

Finance Officer
Date


Project Accountant
Date
ICPAK Member No:

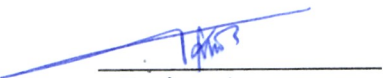
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

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	0	0	0	0	0
Proceeds from domestic and foreign grants						
Proceeds from borrowings						
Miscellaneous receipts						
Total Receipts	0	0	0	0	0	0
Payments						
Compensation of employees						
Purchase of goods and services	0	0	0	6,265,106	-6,265,106	0
Social security benefits						
Acquisition of non-financial assets						
Transfers to other government entities						
Other grants and transfers						
Total Payments	0	0	0	6,265,106	-6,265,100	0

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


 City Manager
 Date


 Finance Officer
 Date


 Project Accountant
 Date
 ICPAK Member No:

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.0 Basis of Preparation

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 County Government of Kisumu. 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. Significant Accounting Policies

a) 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.

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.

b) 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.

c) 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.

d) 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

e) 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.

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.

f) 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.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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) Accounts receivable

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:
 - (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. The **Annex** of this financial statement is a register of the contingent liabilities in the year.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

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' items to provide a sense of the overall net cash position of the Project at the end of the year. 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.

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.

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.

q) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

11. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative to-date(from inception)
	KShs	KShs	
<i>Counterpart funding through Ministry</i>			
Counterpart funds			8,500,000
			8,500,000
<i>Other transfers from government entities</i>			
Transfers from PAA	0.00	4,298,753	59,045,119
	0.00	4,298,753	59,045,119
Appropriations-in-Aid			
Cash deposits		100	
Total	0.00	4,298,853	67,545,119

[Provide explanation as necessary noting that "Other transfers from government entities" is not the counterpart funding which is the government's share of contribution towards the implementation of the project as mandated by the Project Agreement.]

Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021

2 PURCHASE OF GOODS AND SERVICES

	2020/21			2019/20	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Communication, supplies and services					
Domestic travel and subsistence	6,265,106		6,265,106	4,355,185	67,537,031
Foreign travel and subsistence					
Total	6,265,106		6,265,106	4,355,185	67,537,031

3 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2021/20	2019/20
	KShs	KShs
Bank accounts (Note 8.13A)	8,088	9,531
Cash in hand (Note 8. 13B)	0	40
Cash equivalents (short-term deposits) (Note 8.13C)		
Total	8,088	9,571

Bank Accounts

Project Bank Accounts

	2020/21	2019/20
	KShs	KShs
<u>Foreign Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]		
Kenya Commercial Bank [A/c No.....]		
Total Foreign Currency balances		
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]		
Kenya Commercial Bank [A/c No 1120413257]	8,088	9,531
Total local currency balances	8,088	9,531
Total bank account balances	8,088	9,531

Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as *Appendix in* support these closing balances.

Cash In Hand

	2021/20	2019/20
	KShs	KShs
Location 1-KUP OFFICES	0	0
Other locations (<i>specify</i>)		
Total cash balances	<u>0</u>	<u>0</u>

[Provide a cash count certificate for each location above]

Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021

4 OUTSTANDING IMPRESTS AND ADVANCES -ACCOUNTS RECEIVABLES

<i>Description</i>	2020-2021	2019-2020
	Kshs	Kshs
Government Imprests	188,500	6,263,663
Salary advances		
Total	188,500	6,263,663

There were outstanding imprests and advances as at 30th June,2021.

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2021</i>	<i>Balance 2020</i>
<i>Charles Omollo</i>	<i>27,400</i>		<i>700</i>	<i>26,700</i>	<i>27,400</i>
<i>Celestine Collins</i>	<i>161,800</i>		<i>0.00</i>	<i>161,800</i>	<i>161,800</i>
<i>Programme 1</i>					
Total	<u>189,200</u>		<u>700</u>	<u>188,500</u>	<u>189,200</u>

5 FUND BALANCE BROUGHT FORWARD

	2021/20	2019/20
	KShs	KShs
Bank accounts	8,089	9,532
Cash in hand	-	40
Cash equivalents (short-term deposits)		
Outstanding imprests and advances		6,263,663
Sub Total	8,089	6,273,235
Prior year adjustment		188,460
Total	8,089	6,461,695

7 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)
1.1	<p>Statement of Financial Assets-Statement of financial assets reflects a financial assets balance of KShs 6,273,235 which however differs with the net financial position balance of KShs 6,461,695 reflected in the statement of resulting in a difference of KShs 188,460 between the two balances which should tally. No explanation was provided by the management for the anomaly.</p> <p>In the circumstance the accuracy of the statements of financial assets as at 30 June 2020 has not been confirmed.</p>				
1.2	<p>Fund Balance-The statement of financial assets as at 30th June,2020 reflects a net financial position balance amounting to KShs 6,461,695. However, the sum of the comparative (2018/2019) fund balance components reflected in Note 9.7 to the financial statements is KShs 6,009,299 against 6,518,027 reflected in the audited financial statements for the previous year. The variance of KShs 508,728 between the two sets of records has not been explained.</p> <p>In the circumstance the accuracy of</p>				

*Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

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)
	the statements of financial assets as at 30 June 2020 has not been confirmed				
1.3	<p>Cash and Cash Equivalents-The statement of cash flow reflects a cash and cash equivalents credit balance at the year end of KShs (733,175) which is at variance with the account's debit balance of 9,572 reflected in the financial statements. The difference amounting to KShs (742,747) between the cash and cash equivalents balances reflected in the two statements has not been explained.</p> <p>In the circumstance, the accuracy of then cash and cash equivalents balance amounting to KShs 9,572 reflected in the statement of financial assets as at 30 June,2020 has not been confirmed.</p>				
1.4	<p>Transfers from Kisumu Urban Project Advance Account-The statement of receipts and payments reflects cumulative transfers from Project Advance Account (PAA) of KShs 52,147,613 by the year ended 30 June 2020.However, the Funding summary at Note 1.7 to the financial statements reflects transfers totalling KShs 59,045,119 resulting to a difference of KShs 6,897,506. No explanation has been provided for the anomaly.</p> <p>In the circumstance, the accuracy of the cumulative transfers from PAA totalling KShs 52,147,613 as at 30 June 2020 has not been confirmed.</p>	The management has taken action to prepare a reconciliation statement which shows the correct cumulative transfers from PAA which is KShs 59,045,119.00	Project Accountant- Japheth Orwa and Finance Officer- Emmanuel Opetu	Resolved	August 2021
2.0	<p>Presentation of financial statements-The statements of receipts and</p>	This anomaly is corrected in	Project Accountant-	Resolved	August,2021

*Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	payments is labelled "for the period" instead "for the year ended". The label does not tally with the operations of the project under audit review which are for the year ended 30 June, 2020.	the statements of receipts and payments in the year 2020/2021 which is correctly labelled as "for the year ended" 30 June 2021.	Japheth Orwa		
1.0	<p>Purchase of goods and services - expenditure on fuel. Examination of expenditure records indicated that KShs 1,200,518 was spent on purchase of fuel, oils and lubricants during the year under review as disclosed in Note 9.4 to the financial statements. The fuel records presented for audit verification indicated that the fuel was used on heavy machinery such as excavators, landfill compactors and fire engines. However, work tickets for the machine and the vehicles were not availed for audit and as a result, it was not possible to validate the records. Also, the nature of work done by the excavators and landfill compactors in particular was not clear since all road work under the project was contracted out.</p> <p>Further, the purchase of fuel was not included in the procurement plan for the year contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015.</p> <p>In the circumstance, the purchase of fuel by the project was irregular. In</p>				

Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021


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>addition, there is no confirmation that the expenditure totalling KShs 1,200,518 was a proper charge on public funds.</p>				
2.0	<p>Outstanding imprests-The statement of financial assets reflects accounts receivable totalling KShs 6,263,663 being imprests and advances, as further disclosed in Note 9.8 to the financial statements. However, a review of the financial documents presented for audit indicated that some of the imprests were issued in the year 2015 and had therefore remained outstanding for five years. Also, imprests warrants were not provided to support the outstanding imprests and as a result, their validity could not be confirmed. The delay in surrender of the imprests contravenes Regulation 93(6) of the Public Finance (National Government) Regulation 2015 which requires Accounting Officers to recover imprests from the salaries of defaulters and charge interest on delayed surrender at the prevailing Central Bank of Kenya rates. The schedule also indicated that some officers were issued with multiple imprests contrary to section 93(4) of the Regulations. In the circumstances, management is in breach of the law and further, recoverability of the imprests totalling KShs 6,263,663 is doubtful.</p>	<p>Some of the imprests have been surrendered leaving a balance of KShs 189,200 by 30th June, 2020. The management has instituted controls to ensure that no imprest is issued before the earlier one is surrendered.</p>	<p>Imprest Officer- Alphonce</p>	<p>Partly solved.</p>	<p>Dec 2021</p>

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;


***Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



City Manager
16/12/2021

Date



Finance Officer
16/12/2021

Date

14.1 ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	0	0	0	0%	
Proceeds from domestic and foreign grants					
Proceeds from borrowings					
Miscellaneous receipts					
Total Receipts	0	0	0	0%	
Payments					
Compensation of employees					
Purchase of goods and services	0	6,265,106	(6,265,106)	0%	
Social security benefits					
Acquisition of non-financial assets					
Transfers to other government entities					
Other grants and transfers					
Total payments	0	6,265,106	(6,265,106)	0%	

15. APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)

Bank Reconciliations

REPUBLIC OF KENYA			F.O. 30
BANK RECONCILIATION REPORT AS AT 30TH JUNE 2021			
		KSH. CTS	KSH. CTS
	BANK BALANCE AS PER BANK STATEMENT		8,088.80
	LESS		
1	Payment in cashbook not in bank	0	
2	Receipts in bank not in cashbook	0	
	Sub-total		0
	Add		
3	Payment in bank not in cashbook	0	
4	Receipts in cashbook not in bank	-	
	Sub-total		0
	BANK BALANCE AS PER CASHBOOK		8,088.80

"I certify that I have verified the Bank Balance in the cash book with the bank

***Kisumu Urban Project
Reports and Financial Statements
For the financial year ended June 30, 2021***

statement and
that the above reconciliation is correct"

Signature  Designation KSP - Accountant Date 16/7/21

