



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2020**

COUNTY GOVERNMENT OF KISUMU



Project Name. KISUMU URBAN PROJECT(PROJECT ADVANCE ACCOUNT).

Implementing Entity...CITY OF KISUMU.....

PROJECT GRANT/CREDIT NUMBER...AFD CREDIT No CKE 1035.01.G.....

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

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Kisumu Urban Project (Project Name)
Reports and Financial Statements
For the financial year ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is KISUMU URBAN PROJECT

Objective: The key objective of the project is to improve the livelihood of the residents of Kisumu.

Address: The project headquarters offices are in 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 12th March, 2012
Project End Date:	The project end date is 31st March, 2021
Project Manager:	The project manager is Doris Ombara, City Manager
Project Sponsor:	The project sponsor is Agence Francaise De Developpment (AFD)

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1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Lands, Housing and Urban Development.
Project number	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 in Kisumu (ii) Improvement of land management and urban planning.(iii) (iii) rehabilitation and creation of public facilities and infrastructure.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Solid waste management (ii) slum upgrading (iii) commercial infrastructure (iv)public infrastructure rehabilitation
Other important background information of the project	The project is financed by a credit facility from French Government to the Government of Kenya which was redirected as a grant to the City of Kisumu.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) slum upgrading (ii) commercial and public infrastructure

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Project duration	The project started on 12th March,2012 and is expected to run until 31 March,2021.
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1.4 Bankers

Diamond Trust Bank, West End Mall Branch
P.O Box 1081-40100, Kisumu
Account No 0075090002

1.5 Auditors

The project is audited by the Auditor General and PricewaterhouseCoopers CPA

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
Doris Ombara	City Manager	Masters	Project Manager
Emmanuel Opetu	Finance Officer	CPA, BCom	Finance
Japheth Orwa	Project Accountant	CPA(K), BCom, SMC, MBA-Ongoing	Accountant
Charles Omollo	Project Administrator	BCom, MBA On going	Administrator

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1.7 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 date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	Donor currency (A)	KShs (A')	Donor currency (B)	KShs (B')	Donor currency (A)-(B)	KShs (A')-(B')
(i) Grant						
AFD	€40M	KS4.0B	€36.026M	KS3.962B	€3.974B	KS397.3
Total	€40M	KES 4.0B	€36.026M	KS3.962B	€3.974B	KS 397.3

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1.8 Summary of Overall Project Performance:

The total amount disbursed as at 30th June 2020 is € 36,026,400 as explained in the table below equivalent to KES 3.603B representing 90% of the entire credit. The undrawn balance of € 3,973,600 was cancelled by the Lender. The amount received has been invested in sub projects/contracts as shown in the project status report.

Contract	Amount in Euros
AFD Grant(€ 40,000,000)	40,000,000
	40,000,000
Direct payments	7,284,436.05
CAA Disbursements 1 & 2	184,119
PAA Disbursement 1	5,000,000
PAA Disbursement 2	4,424,700
PAA Disbursement 3	921,253
PAA Disbursement 4	2,049,181
PAA Disbursement 5	16,162,710
	36,026,400

The Annual budget of the project is the budget approved under the State Department of Housing and Urban Development. The project status report contains a schedule of completed, ongoing and project still under procurement.

The project has faced several challenges including;

- 1.Lack of financial management software-the projects financial records are prepared on excel which is not reliable and adequate to cater for the project's financial needs.
- 2.Irregular mobilization of TATs
- 3.Delays in funds disbursement
- 4.Termination of some work contracts leading to fresh procurement hence delays
- 5.Clearance of road encroachment on road project and relocation of service lines.

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SUMMARY OF KUP PROJECT DETAILS AS AT 26/06/2020

PROJECT NAME: CONSTRUCTION OF THE PROPOSED FIVE [5] BITUMEN ROADS IN CITY OF KISUMU					
Project Funding:	AFD - Agence Francaise Development No. CKE1035.01G				
Employer:	County Government of Kisumu - City of Kisumu				
Supervision:	Otieno Odongo and Partners Consulting Engineers				
Lot	Lot1A	Lot2	Lot3	Lot4	Lot5
Contract Title/No	Lot1A: Construction of Impala - Dunga - Nanga - Five Ways Road CCK/KUP/3/2014/045-A	Lot2: Construction of Carwash- Sije Road CCK/KUP/3/2014/048	Construction of Kaloleni Estate Roads CCK/KUP/W/2014/046	Construction of Nyamasaria KFW Primary School - Sije Road CCK/KUP/W/2014/047	Lot5: Construction of Family Planning - Naselica Road CCK/KUP/3W/5/2014/050
Contractor:	SBI International Holdings AG (Kenya)	Glennsteam Engineering Works Ltd	M'Big Ltd.	ASCODA General Contractors Ltd.	Indepth Construction Co. Ltd
Commencement Date:	13th April 2018	19th July 2018	29th November 2017	15th January 2018	27th August 2018
Initial Completion Date:	12th April 2019	25th April 2019	28th August 2018	14th October 2018	25th February 2019
Interim Completion Date1:	30th October 2019	31st August 2019		27th September 2019	31st August 2019
Interim Completion Date2:	31st December 2019	31st December 2019		27th November 2019	31st December 2019
Interim Completion Date3:				31st December 2019	
Defect Liability Period:	365 days	365 days	365 Days	365 Days	365 Days
Defect Notification Date:	14 Days	14 Days	14 Days	14 Days	14 Days
Contract Period:	365 Days	40 weeks	9 Months	9 Months	26 weeks
Contract Sum:	Ksh 301,145,590	Ksh	Ksh	Ksh 99,489,639.00	Ksh 15,803,864.34

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(VAT Exempt)		97,166,159.20	73,748,343.55		
Total Advance Payment:	10% of the Accepted Contract Amount		Nil	10% of the Accepted Contract Amount	
Advance Amount Certified	Ksh 30,114,559.00	Ksh 9,716,615.92	Nil	Ksh 9,948,963.92	Nil
Other Amounts Certified to Date (Ksh):	Ksh 221,916,105.56	Ksh 47,261,259.50	Ksh 72,268,658.35	Ksh 70,469,052.88	Ksh 10,473,899.12
Total Amount Paid to Date	Ksh 252,030,664.56	Ksh 56,977,875.42	Ksh 72,268,658.35	Ksh 80,418,016.82	Ksh 10,473,899.12
Time Elapsed:	Commencing DLP from end of March 2020	80 days after interim extension period	Commenced DLP in September 2019	80 days after interim extension period	80 days after interim extension period
Overall Physical Progress:	99.77%	55.39%	100%	70.60%	71.18%
Expected Progress	100%	100%	100%	100%	100%
Delay	0.23%	44.61%	-	29.40%	28.82%
NOTES	<u>Pending works:</u> Street lighting – the addendum was brought back with comments. This to be completed by 30 th June 2020	A section spanning 720 meters have been tarmacked on the carriageway <u>Pending works:</u> 1.61 kilometres of the road is at sub-base layer - Drainage works are	Complete	<u>Pending works:</u> 0.8 kilometres of the road is at sub-base layer - Box culvert at Auji River - Drainage works are incomplete - Road furniture - Corrections instructed by the supervising team - Addendum for variation of works was brought back with comments. This to be completed	<u>Pending works:</u> - Drainage works are incomplete - Road furniture

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		incomplete Road furniture			- ure • Correc tions instructed by the supervising team • The new works
CHALLENGES		❖ Contractor's absenteeism from site		❖ Contractor's absenteeism from site	❖ Contractor's absenteeism from site

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LOW VOLUME ACCESS ROADS

PROJECT NAME: CONSTRUCTION OF THE PROPOSED FIVE [5] GRAVEL ROADS IN CITY OF KISUMU					
Project Funding:	AFD - Agence Francaise Development No. CKE1035.01G				
Employer:	County Government of Kisumu - City of Kisumu				
Supervision:	City Engineer – City of Kisumu				
Lot	Lot1	Lot2	Lot 3		
Contract Title/No	Prisons – Auji, Auji – Pundo Road CCK/KUP/3/2014/045 -A	Completion of Low Volume Seal Access Roads CCK/KUP/W/4/2018/037	Construction of Kakoth Bridge		
Contractor:	Esico Engineering Limited	Damtech Enterprises Limited	Calmex construction services limited		
Commencement Date:	May, 2018 after reinstatement	31 st January 2019			
Initial Completion Date:	30 th July 2019	30 th September 2019	April 2018		
Interim Completion Date:	14 th May 2020	14 th May 2020			
Defect Liability Period:	365 days	365 days	365 days		
Defect Notification Date:	14 Days	14 Days	14 Days		
Contract Period:	8 months	40 weeks			
Contract Sum: (VAT Exempt)	Ksh 108,000,000	Ksh 63,687,970	Ksh 24,951,166		
Other Amounts Certified to Date (Ksh):	Ksh 108,000,000		Ksh 24,951,166		
Total Amount Paid to Date			Ksh 24,951,166		
Time Elapsed:	Commencing DLP from end of March 2020	80 days after interim extension period			
Overall Physical Progress:	95.00%	55.39%	100%		
Expected Progress	100%	100%	100%		
Delay	5.00%	44.61%	0		

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NOTES	Pending works; • Cross culvert at Pundo market • Grading and final gravel layer as from Auji to Pundo market • Road marking between Busia road junction to Prisons	Pending works; • Tiengre Bridge decking • Drainage covering at Nyalenda • Gravel works • Gabions works in progress			
CHALLENGES	❖ Absence of the contractor from site	❖ Inadequate materials, equipment and labour mobilization ❖ Slow execution of work ❖ Expired performance bond ❖ Expired All Risk Insurance			

Reported by:



Kevin Ajuul
City Engineer

1.9 Summary of Project Compliance:

Areas of Non compliance includes;

- 1.Change of a bank signatory without a prior no objection from AFD.
- 2.Irregular advances to schools contractors outside the provision of the signed contract
- 3.Delays in submission of quarterly financial report.

2. 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 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.

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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-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Kisumu Urban Project	(i) promoting an inclusive and sustainable development in Kisumu (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.	Increased efficient transportation of people, goods and services, urban planning, streetlightings, extended business hours, increased access to other service centres.	1. No bitumen roads build. 2. Streetlights constructed along the bitumen roads 3. Urban planning enhanced since there is master urban plan, Number of staff trained on key result areas.	In FY 2019/2020 we spent KShs 631,332,770 to provide different services geared towards the achievement of the objectives of the project.
XXXXXX	XXXXXXXXXXXX	XXXXXX	XXXXXXXXXX	XXXXXXXXXX

Kisumu Urban Project (insert Project Name)
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**3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

Kisumu Urban Project (insert Project Name)
Reports and Financial Statements
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INDICATIVE PROJECT DESCRIPTION

INDICATIVE PROJECT DESCRIPTION

The Kisumu Urban Project (KUP) is a pilot project, considered to be innovative both for Kenya and AID. Its overall objective is to enhance living conditions of Kisumu's population by introducing a comprehensive urban programme. The KUP will finance needed public infrastructure and facilities, slum upgrading and local capacity strengthening, by local ownership and management underlies its objectives.

A Short-Term Action Plan (STAP) (2010-2012) aiming at delivering highly impactful, easily implemented projects and at increasing municipal accountability has already been identified. A Medium-Term Action Plan (MTAP) (2012-2014) has also been identified. Even though the distinction between the STAP and the MTAP is highly flexible, the STAP corresponds to approximately 13.5 million euros and the MTAP to approximately 26.5 million euros.

Five assignments have been chosen for their capacity to enhance living conditions, modernise the local authority's management system and that are seen as possible tax collection enhancers. Five crosscutting issues corresponding to key municipal concerns will be integrated at each step of the process implementation.

KELOMPOK/KELOMPOK	TEMA/TEMA	KELOMPOK/KELOMPOK
KELOMPOK/KELOMPOK	TEMA/TEMA	KELOMPOK/KELOMPOK

Kisumu Urban Project (insert Project Name)
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Component 1: Technical assistance and institutional strengthening: 4 000 000 euros

The KUP aims at strengthening local technical and financial capacity to allow rapid and high quality implementation of the project and long term capacity building of the municipal technical staff. General focus has been set on local finance improvement and planning.

Technical assistance will strengthen the overall institutional framework. A *Project Coordination Unit* (PCU) composed of an international consultant and two Kenyan consultants will be both the Mayor and the Town Clerk's advisors on the KUP for the entire duration of the KUP. In addition, a *Support and Capacity Building Team* (SCBT) will be created to progressively mobilize specific experts when needed by MCK for the entire duration of the KUP too.

Component 2: Solid waste management: 2 000 000 euros

The first phase of the implementation of a 20 year comprehensive solid waste strategy includes the specification of a suitable landfill site, assessed by environmental experts and located within municipal boundaries. The second phase will start soon after land identification. Along with environmental impact assessment and feasibility studies, future steps will include implementation of a new solid waste collection and transport system and capacity building for solid waste managers. Additionally, support to waste pre-collection initiatives in neighbourhoods will be requested along with support to existing associations.

Component 3: Slum upgrading: 9 000 000 euros

The slum upgrading component is of particular importance within the KUP and aims at improving the living conditions of the inhabitants of a selected number of slums. All persons residing within the township will be included into a comprehensive upgrading programme, in accordance with existing national strategies. This component will be divided into two parts:

- In accordance with the existing water project (*Sanitation and Drinking Water*) and with Lake Victoria South Record, the STAP phase will focus on visible and highly impacting projects. It was decided that action would be directed towards improving existing public space management. This will, in turn, allow to greatly improve the overall aspect of public space within both selected slums (Nyakenda and Kilokoni). Road rehabilitation, water, drainage and sanitation, public lighting will be included in this phase.
- The second phase will focus on complementary infrastructure and facility investments along with a particular action on social aspects and housing rehabilitation. UN Habitat should intervene during this second phase, thanks to its two micro finance funding mechanisms: SUP and ERSO. Other slums (Manyara, Obunga) could also be included in this phase.

Component 4: Commercial infrastructure rehabilitation: 3 000 000 euros

The two Kaji slum rehabilitation will be included in the STAP and will benefit from a comprehensive upgrading. Basic infrastructure will be delivered such as water, sanitation and electricity network, fencing, shades. The sector will also benefit from complementary investments directed towards improving working conditions, security, Tax collection, small maintenance, organisation and all other matters related to Kaji slum activities will be addressed in this programme. Environmental issues and in particular odour treatment and other pollution will also be addressed.

The selection of urban and peri-urban markets to be rehabilitated will be included in a comprehensive strategy (security, sanitation, water, health, tax collection). Maintenance and management of the selected markets will also be included into the project and taken into account from the start.

Component 5: Public infrastructure rehabilitation: 3 000 000 euros

Details of this component will depend on the results of the Integrated Strategic Urban Development Plan to be produced by the Ministry of Local Government on behalf of the municipality. It should identify future extension areas and compile an inventory of all existing facilities in relation to the served population. The STAP will however include rehabilitation and building of new roads, cycle paths, health centres.

3/11/20

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Kisumu Urban Project (insert Project Name)
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4. 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, 2020. 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 *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, 2020, 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 10/09/2020 and signed by them.

		
City Manager	Finance Officer	Project Accountant:
Name: Doris Ombara	Name: Emmanuel Opetu	Name: Japheth Orwa
		ICPAK Member Number: 9444

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KISUMU URBAN PROJECT (PROJECT ADVANCE ACCOUNT)-CKE 1035.01.G FOR THE YEAR ENDED 30 JUNE, 2020 - COUNTY GOVERNMENT OF KISUMU

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kisumu Urban Project (Project Advance Account) set out on pages 1 to 45 which comprise the statement of financial assets as at 30 June, 2020, 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, Section 35 of the Public Audit Act, 2015 and Kisumu Urban Project (Project Advance Account) Financing Agreement No. CKE 1035.01.G dated 5 July, 2010 and Addendum No.4 dated 19 February, 2020 between the Republic of Kenya and Agence Francaise de Developpement (AFD). 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kisumu Urban Project (Project Advance Account) as at 30 June, 2020 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 Kisumu Urban Project (Project Advance Account) Financing Agreement.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

1.1 Statement of Financial Assets

The statement of financial assets reflects a balance of Kshs.823,593,699 which differs with the net financial position balance of Kshs.845,169,035 by Kshs.21,575,336. No explanation has been provided for the difference.

1.1.1 Fund Balance

The statement of financial assets reflects an aggregate fund balance of Kshs.670,945,090, as detailed in Note 9.10 to the financial statements. However, summation of the account balances included in the balance in Note 9.10 yields a sum of Kshs.823,593,699 resulting to a difference of Kshs.152,648,609 which has not explained.

In the circumstance, the completeness, accuracy and validity of the fund balance totalling Kshs.670,945,090 reflected in the statement of financial assets as at 30 June, 2020 has not been confirmed.

1.2 Statement of Receipts and Payments

1.2.1 Transfers from Department of Housing and Urban Development

The statement of receipts and payments reflects transfers from the Department of Housing and Urban Development totalling Kshs.805,926,100 as detailed at Note 9.3 to the financial statements. However the special accounts statement of the Kisumu Urban Project report reflects a transfer of EUR 7,000,000, equivalent to Kshs.806,206,400, resulting to a difference of Kshs.280,300, which Management has not explained.

In the circumstance, the completeness, accuracy and validity of transfers from government entities totaling Kshs.805,926,100 for the year under review has not been confirmed.

1.2.2 Cumulative Funding to Date

The statement of receipts and payments reflects cumulative funding balance of Kshs.2,658,509,300. However, the funding summary in Note 1.7 to the financial statements reflects funding totaling Kshs.3,962,000,000 resulting to a difference of Kshs.1,303,490,700 which Management has not explained.

In the circumstance, the completeness, accuracy and validity of transfers from government entities totaling Kshs.2,658,509,300 reflected in the statement of receipts and payment for the year ended 30 June, 2020 has not been confirmed.

1.2.3 Acquisition of Non-Financial Assets

The statement of receipts and payments reflects an acquisition of non-financial assets balance totaling Kshs.301,141,525, as detailed in Note 9.6 to the financial statements. However, summation of the amounts included in the balance yields a sum of Kshs.302,141,525 resulting to a variance of Kshs.1,000,000 which, however, has not been explained.

In the circumstance, completeness and accuracy of the acquisition of non-financial assets balance amounting to Kshs.301,141,525 reflected in the statement of receipts and payments for the year ended 30 June, 2020 has not been confirmed.

1.3 Anomalies in the Cashflow Statement

The statement of cashflow for the year ended 30 June, 2020 reflects the following anomalies:

1.3.1 Cash and Cash Equivalent

The statement reflects Kshs.723,901,685 as cash and cash equivalents at the beginning of the year which, however, varies from the comparative balance amounting to Kshs.669,144,199 shown in Note 9.8 to the financial statements. The difference of Kshs.54,757,486 between the two sets of records has not been explained.

In addition, the statement of cashflow reflects cash and cash equivalents at the end year totalling Kshs.898,125,630 which varies with the account's balance amounting to Kshs.822,287,913 reflected in the statement of financial assets. The difference of Kshs.75,837,717 between the two balances expected to tally has not been explained. Further, the increase in accounts receivables amounting to Kshs.1,022,986 has been omitted in the statement of Cashflow.

In the circumstance, the completeness, accuracy and authenticity of the cash and cash equivalents balance amounting to Kshs.898,125,630 reflected in the statement of cashflow for the year ended 30 June, 2020 has not been confirmed.

1.3.2 Refund of Performance Bond

The statement of cashflow reflects a comparative balance of Kshs.10,851,362 under refund of performance bond. However, the balance was not reflected in the audited financial statements for year ended 30 June, 2019.

In the circumstance, validity of the comparative balance has not been confirmed.

1.4 Fixed Assets Register

The fixed assets register at Annex 3 reflects assets valued at Kshs.430,738,274 for the year ended 30 June, 2020. However, summation of the amounts in the aggregate balance yielded assets totaling to Kshs.554,761,710 resulting to an unreconciled variance of Kshs.124,023,436 which the Management has not explained. Further, the register reflects additions of motor vehicles and motor cycles totalling Kshs.13,166,198 and Kshs.588,500 respectively, totalling to Kshs.13,754,698 which balance however, is not reflected as expenditure in the statement of receipts and payments for the year under review. Therefore, the expenditures reflected in the statement of receipts and payments are understated.

In addition, the fixed assets register reflects cumulative closing assets totalling Kshs.430,738,274 while the cumulative acquisition of non-financial assets reflected in the statement of receipts and payments amounts to Kshs.1,230,026,660 resulting to an unexplained variance of Kshs.799,288,386 which suggests that the fixed assets register is not updated regularly.

In the circumstance, the completeness, accuracy and authenticity of the reported balanced of Kshs.430,738,274 reflected in Annex 3 of the summary of fixed assets register has not been confirmed.

2. Presentation of the Financial Statements

The statement of receipts and payments and statement of cash flows are labeled 'for the period ended 30 June, 2020' instead of 'for year ended 30 June, 2020' to which they relate. As a result, the presentation of the accounting period under review is not correct.

Consequently, the financial statements are not prepared in accordance with Accounting Standards as prescribed by IPSAS.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kisumu Urban Project 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 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. There were no Key Audit Matters to report to report in the year under review.

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 matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, public money has been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Acquisition of Assets

The statement of receipts and payments reflects acquisition of assets balance totaling Kshs.301,141,525 for the year ended 30 June, 2020, as detailed in Note 9.6 to the financial statements. However, examination of the respective expenditure records revealed the following anomalies:

1.1 Construction of Roads

1.1.1 Proposed Completion of Low Volume Access Roads- (Kemri-Otonglo-Tiengere-Rota Road)

Included in the construction of roads balance totalling Kshs.302,141,525 in Note 9.6 to the financial statements is expenditure totalling Kshs.5,841,397 spent on construction of low volume access roads namely the 5.5 (five and a half) kilometres long Kemri-Otonglo-Tiengere-Rota Road. However, physical verification of the works in October, 2020 revealed the following:

- i. The drainage works done in all the sections along the road were of poor quality and further, some sections of the murram laid had been washed off by floods.
- ii. Works on construction of the bridge/box culvert at Tiengere were abandoned by the contractor before completion.
- iii. The contractor was not on site and the site office had been abandoned.
- iv. All the access culverts along the road were not backfilled.
- v. Gravel on some sections of the road was swept off by flood waters due to poor drainage.
- vi. A section measuring 0.005 Kilometers from Tiengere was not graded and graveled. Further no drainage works were done at the said section.
- vii. Monthly progress of work reports indicated that challenges facing the Project included inadequate materials, equipment and labor mobilization, slow execution of work. No plausible explanation was provided by Management for the anomaly.
- viii. In August, 2019, the contractor requested for an extension of the contract period from 30 September, 2019 to 31 December, 2019. However, the request was not approved by the Tender Evaluation Committee as regulations require.

In the circumstances, it has not been possible to confirm that value for money was achieved on the expenditure totaling Kshs.5,841,397 spent on the works.

1.1.2 Construction of Nairobi Road-Nyamasaria-KFW Primary School-Sije Road

Similarly, a sum of Kshs.29,328,404 was spent on the construction of the 2.139 kilometres long Nairobi Road-Nyamasaria-KFW Primary School-Sije Road contracted at Kshs.99,489,639. The contract was to commence on 15 January, 2018 and be completed on 14 October, 2018. Addendum 1 to the contract indicates that the contract sum was increased by Kshs.24,872,409.75 to Kshs.125,362,048. No justification was provided by Management for the increase equivalent to 25% of the original contract price.

However, physical verification of the project in the month of October, 2020 revealed the following:

- i. Only about 1.1km of the road had been tarmacked.
- ii. The contractor built one instead of the two bridges contracted to be built over River Auji.
- iii. As per letter reference number AGC/KUP/NYAM/PN/2018/141 of 12 August, 2020, the contractor requested for extension of the completion date to 30 November, 2020. However, no evidence was availed to confirm that the Tender Evaluation Committee approved the request.
- iv. The progress of work report availed for audit indicated that the works were 71% complete but the contractor's frequent absence from the project site had delayed their completion.

In the circumstances, it has not been possible to confirm that value for money was obtained on the expenditure amounting to Kshs.29,328,404 spent on the road project during the year under review.

1.1.3 Construction of Family Planning-Naselica Roads

The expenditure records further indicated that Kshs.8,230,386 was spent on construction of Family Planning Naselica Road at a cost of Kshs.15,803,864. The contract period commenced on 28 February, 2018 and was to end by 25 February, 2019. However, Addendum 1 to the contract indicates that the date was changed to 30 January, 2020 and the Project cost increased to Kshs.18,820,911. No explanation was provided for the increase. However, physical verification of the project in October, 2020 revealed the following:

- i. The contractor was not on site and no works were ongoing.
- ii. A section of the road measuring about eighty (80) meters along a supermarket building had no walkway and side drains because the supermarket had,

allegedly, encroached on the road. However, no documentary evidence was presented to confirm the encroachment.

- iii. The Bills of Quantities (BQs) included cost of two (2) project publicity road signs worth Kshs.100,000 but only one was on site.
- iv. Stone pitching on both sides of the drains measuring about one hundred and fifty (150) meters of the road was not done.
- v. Contrary to provisions in the Bills of Quantities, only a small portion of the walkway had cabro stone installed.
- vi. Although the project was 71% complete, the Progress of works report availed for audit indicated that frequent absence of the contractor from the site was the main cause for the delayed completion of the works.
- vii. The Tender Committee meeting held on 23 January, 2020 allowed the contractor's request to extend the contract period to 30 January, 2020 and increase the contract cost further by Kshs.3,017,047. However, there was no evidence of approval for any further extension of the contract even though the works were reported as ongoing in November 2020.

In the circumstances, it has not been possible to confirm whether taxpayers obtained value for money on expenditure amounting to Kshs.8,230,386 spent on the project up to 30 June, 2020.

1.1.4 Construction of Otonglo-Prison-Auji and Auji-Pundo Roads

The records further indicate that a sum of Kshs.45,106,657 was incurred on construction of 3.9 kilometres of Otonglo-Prison-Auji and Auji-Pundo Roads. The contract was valued at Kshs.108,513,615 in aggregate with works set to start on 13 October, 2015 and be completed by 12 May, 2016. Audit review of Addendum No. 3, indicated that the completion date was reset for 31 December, 2019 and the contract sum increased by Kshs.26,303,745 or 24% of the original contract cost, to Kshs.134,685,860. No adequate explanation was provided by Management for the cost increase. Records available indicate that in late 2019, the original contractor sub-contracted the incomplete works to another company in late 2018 at a sum of Kshs.40,000,000. However, physical verification, of the project in October, 2020 revealed the following:

- i. Audit review of Addendum No. 3 indicated that the completion date of the contract was moved to 31 December, 2019 and the contract sum increased by Kshs.26,303,745 to Kshs.134,685,860.
- ii. The contractor was not on site and there was no site office or machinery to indicate that the works were ongoing.

- iii. Culverts constructed on the roads were blocked and as a result, sections of the road were washed away and cut-off by run-off waters.
- iv. A section of about one hundred (100) meters from the railway line to Pundo Market was not graveled and proper drainage works were not done.
- v. Progress reports availed for audit indicated that works were 95% complete and cited the contractor's absence as the main reason for the delay in their completion.
- vi. In April, 2019, the contractor requested for extension of the completion date to 31 December, 2019 and the request was approved by the Tender Committee.
- vii. The performance guarantee provided by the contractor expired on 5 August, 2019 but no evidence of its renewal was availed for audit review.
- viii. Included in the assessed works was Interim Payment Certificate No. 5 for preliminary and supervisory/support services costed at Kshs.4,457,633. However, the expenditure was not supported with documentary evidence and as a result, its validity and accuracy could not be confirmed.

In the circumstances, taxpayers may not have obtained value for money on the expenditure amounting to Kshs.45,106,657 spent on the project as at 30 June, 2020.

1.1.5 Construction of Impala-Dunga-Nanga-Five Ways Road

Expenditure totalling Kshs.124,686,364 was incurred on construction of Impala-Dunga-Nanga-Five Ways Road contracted at a cost of Kshs.301,145,590. The contract agreement had scheduled the works to start in April, 2018 and end on 12 April, 2019. However, Addendum No. 1 to the contract indicates that the contract completion period and cost were revised to 30 November, 2019 and the contract sum increased by Kshs.31,377,728 or 9% to Kshs.332,523,317. Other records indicated that the completion date for the contract was moved forward to 30 November, 2019 after additional works to install street lights were added to the contract during the defects liability period. However, physical verification of the project in October, 2020 revealed the following:

- i. The street lights installation works were not carried out and the contractor was not on site.
- ii. Preliminaries and general expenses of Kshs.14,288,004 included in the Interim Payment Certificate No. 8 were not supported with documentary evidence. As a result, the validity and propriety of the expenditure could not be confirmed.

In the circumstances, it has not been possible to confirm that tax payers obtained value for money on the expenditure amounting to Kshs.124,686,364 spent on the project as at 30 June, 2020.

1.1.6 Construction of Car Wash-Sije Road

A sum of Kshs.44,528,395 was incurred on construction of Impala-Dunga-Nanga-Five Ways Road. The works were contracted at Kshs.97,166,159. The contract period was expected to take forty (40) weeks from 19 July, 2018 to 25 April, 2019. However, audit verification of the works in October, 2020 revealed the following:

- i. Only a short section of about eight hundred (800) meters out of a total of 2.12Km contracted had been tarmacked.
- ii. Records availed for audit indicated that the contractor requested for extension of the contract period by 310 days. However, there was no evidence to confirm whether the extension was approved by the Tender Evaluation Committee.
- iii. The progress of works report availed for audit indicated that the works were at 55% level of completion. However, the report cited absenteeism as the main cause for the slow pace of work. There was no evidence of the actions taken by Management to compel the contractor to respect the timelines set for the works.

In the circumstances, it has not been possible to confirm whether taxpayers obtained value for money on expenditure amounting to Kshs.44,528,395 spent on the project for the year ended 30 June, 2020.

1.2 Renovation of Kisumu Urban Project Offices

Examination of payment records, in addition, indicated that Kshs.1,608,157 was spent on purchase of materials and labour used in renovating the Kisumu Urban Project offices. However, the procurement records and specifications for the works, issues and receipt vouchers were not availed for audit.

In the circumstance, the occurrence and propriety of the expenditure could not be confirmed.

1.3 Idle Road Sweeper Tractor

The project purchased a road sweeper tractor at a cost of Kshs.3,718,412 during the year. However, verification of the purchase in October, 2020 revealed that the tractor was not put to use but was instead left to idle at the City Works Unit yard.

In the circumstances, no value was obtained out of the public funds totaling Kshs.3,718,412 spent on purchase of the tractor.

2.0 Outstanding Imprests

The statement financial assets reflects accounts receivables totalling Kshs.1,305,786 being outstanding imprests and advances. However, a review of the financial documents presented for audit indicated that some of the imprests were issued in the year 2019. Failure to recover the imprests contravenes Regulation 93(6) of Public Financial Management (National Government) Regulations, 2015 which requires the Accounting Officer to recover overdue imprest from the salary of the defaulting officer and charge interest at the prevailing Central Bank of Kenya rates. The schedule also indicated that some officers were issued with more than one imprest contrary to Regulation 93(4)(c) which prohibits the issue of new imprests to Officers with outstanding imprests.

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

In addition, the respective imprest warrants were not availed for audit and as a result, the accuracy and validity of the balance could not be confirmed.

3.0 Unsupported Receivables from Related Parties

The statement of receipts and payments reflects a balance of Kshs.3,146,405 as at 30 June, 2020 in respect of receivables from third parties, as detailed in Note 9.11 to the financial statements. However, examination of records on the expenditure indicated that cash expenditure totalling Kshs.3,078,819 out of a total of Kshs.3,146,405 was incurred through Project Advance Account (PAA) without authority (No Objection) by the lender as required by Clause 3.4.3(a), Paragraph 3 of the Credit Facility Agreement. Further, no documents were availed to support the expenditure.

In the circumstances, the occurrence and validity of the expenditure has not been confirmed. Further, Management is breach of the Financing Agreement and the expenditure of Kshs.3,078,819 may not be a proper charge on public funds.

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 and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that, public money has not been applied lawfully and in an effective way.

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 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 the 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 been kept by the Project, so far as appears from the examination of those records; and,
- iii. the Project's (KUP) Advance Account financial statements are 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 ability of the Project 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 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 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 Project's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism 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 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

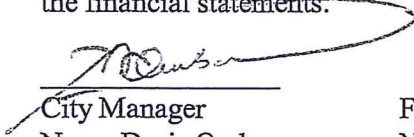
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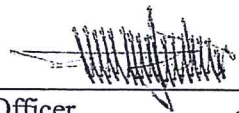
Kisumu Urban Project (Project Name)
Reports and Financial Statements
For the financial year ended June 30, 2020

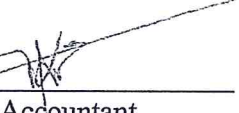
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Note	2019/20		2018/19		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	9.3	805,926,100	0	1,242,803,20	0	2,658,509,300
TOTAL RECEIPTS		805,926,100	0	1,242,803,20	0	2,658,509,300
PAYMENTS						
Purchase of goods and services	9.4	326,261,877	0	215,736,820	0	706,233,587
Transfers to CEF	9.5	4,298,753		5,907,247		39,781,887
Acquisition of non-financial assets	9.6	301,141,525		395,571,657		1,230,026,660
Refund of performance bond						10,851,362
TOTAL PAYMENTS		631,702,155		617,209,724		1,986,893,496
SURPLUS/(DEFICIT)		174,223,945		625,593,476		671,615,804

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


City Manager
Name: Doris Ombara


Finance Officer
Name: Emmanuel Opetu


Project Accountant
Name: Japheth Orwa
ICPAK Member Number: 9444

Kisumu Urban Project (insert Project Name)
Reports and Financial Statements
For the financial year ended June 30, 2020

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019/20	2018/19
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.8	822,287,913.00	669,144,199
Cash Equivalents (short-term deposits)			
Total Cash and Cash Equivalents		822,287,913.00	669,144,199
Accounts receivables – Imprest and Advances	9.7	1,305,786.20	282,800.00
TOTAL FINANCIAL ASSETS		823,593,699.20	669,426,999.00
REPRESENTED BY			
Fund balance b/fwd	9.10	670,945,090.00	45,351,614.00
Surplus/(Deficit) for the year		174,223,945.00	625,593,476.00
NET FINANCIAL POSITION		845,169,035.00	670,945,090.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on ____ 10/9/2020 and signed by:


City Manager
Date


Finance Officer
Date

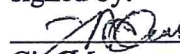

Project Accountant
Date
ICPAK Member Number:9444

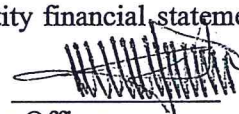
Kisumu Urban Project (Project Name)
Reports and Financial Statements
For the financial year ended June 30, 2020

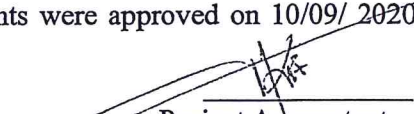
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/20	2018/19
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	9.3	805,926,100	1,242,803,200
Proceeds from domestic and foreign grants			
Miscellaneous receipts			
Total Receipts		805,926,100	1,242,803,200
Payments for operating activities			
Compensation of employees			
Purchase of goods and services	9.4	326,261,877	215,736,820
Social security benefits			
Transfers to CEF	9.5	4,298,753	5,901,247
Acquisition of Non-Financial Assets	9.6	301,141,525	395,571,657
Refund of performance bond			10,851,362
Adjustments during the year			
Net cash flow from operating activities		174,223,945	625,593,476
CASHFLOW FROM INVESTING ACTIVITIES			
Increase/Decrease in other receivables			56,103,000
Net cash flows from Investing Activities			
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings			
Net cash flow from financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENT		174,223,945	681,696,476
Cash and cash equivalent at BEGINNING of the year		723,901,685	42,205,209
Cash and cash equivalent at END of the year		898,125,630	723,901,685

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 10/09/ 2020 and signed by:


City Manager
Date


Finance Officer
Date


Project Accountant
Date

ICPAK Member No:9444

Kisumu Urban Project (insert Project Name)
Reports and Financial Statements
For the financial year ended June 30, 2020

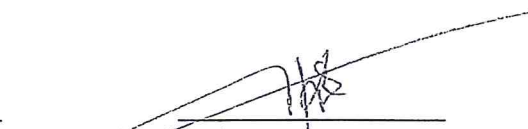
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

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.	779,000,000	27,000,000	806,000,000	805,926,100	73,900	99.9%
Total Receipts	779,000,000	27,000,000	806,000,000	805,926,100	73,900	99.9%
Payments						
Purchase of goods and services	450,000,000	17,000,000	467,000,000	326,261,877	141,107,510	70%
Acquisition of non-financial assets	324,000,000	10,000,000	334,000,000	301,141,525	32,858,475	90%
Transfers to CEF	5,000,000	0.00	5,000,000	4,298,753.00	701,247	86%
Total Payments	2,478,671,465	27,000,000	806,000,000	631,702,155	174,667,230	78%

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

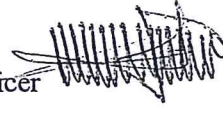

Project Accountant
Date
ICPAK Member No:9444

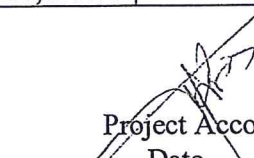
Kisumu Urban Project (insert Project Name)
Reports and Financial Statements
For the financial year ended June 30, 2020

TRIAL BALANCE AS AT 30TH JUNE,2020

Narration	DR	CR
Transfers from the Ministry		805,926,100.00
Purchase of goods and services	326,261,877.00	
Transfer to CEF	4,298,753.00	
Acquisition of Non-Financial Assets	301,141,525.00	
Surplus for the period	174,223,945.00	
Total	805,926,100.00	805,926,100.00


City Manager
Date


Finance Officer
Date


Project Accountant
Date
ICPAK Member No:9444

NOTES TO THE FINANCIAL STATEMENTS

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

9.1. Basis of Preparation

9.1.1. 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.

9.1.2. Reporting entity

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

9.1.3. 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.

9.2. 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.

• Transfers from the parent Ministry

Transfer from Exchequer is 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.

b) Recognition of payments

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

- **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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

c) 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) 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.

e) 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.

f) 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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.

h) 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, 2020.

i) 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.

Kisumu Urban Project (insert Project Name)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/20	2018/19	Cumulative
	KShs	KShs	to-date
<i>Counterpart funding through Ministry</i>			
Grants from the Ministry	805,926,100	1,242,803,200	2,658,509,300
	<u>805,926,100</u>	<u>1,242,803,200</u>	<u>2,658,509,300</u>
<i>Other transfers from government entities</i>			
Total	<u>805,926,100</u>	<u>1,242,803,200</u>	<u>2,658,509,300</u>

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9.4. PURCHASE OF GOODS AND SERVICES

9.4.1. Administration

Date	Particulars	Chq No	KES	Code	2018/2019
31/7/2019	Bank charges		4,524.00	admin	
30/8/2019	Bank charges		2,760.00	admin	
30/9/2019	Bank charges		4,330.00	admin	
30/10/2019	Bank charges		3,576.00	admin	
25/11/2019	Japheth Orwa-Facilitation for AFD mission	543	449,000.00	admin	
27/11/2019	Charles Omollo-per diem to AFD mission	549	16,200.00	admin	
27/11/2019	Doris Ombara-per diem to AFD mission	550	21,800.00	admin	
30/11/2019	Bank charges		7,582.00	admin	
13/12/2019	Doris Ombara-one way return ticket from Nairobi	559	16,800.00	admin	
16/12/2019	Elijah Adul-one way ticket for AFD mission	567	5,805.00	admin	
16/12/2019	Japheth Orwa-facilitation for technical committee to discuss situational analysis report	568	343,700.00	admin	
30/12/2019	Bank charges		6,120.00	admin	
31/01/2020	Amos O. Nyadie-facilitation for the meeting on the proposed construction of otonglo	586	404,000.00	admin	
31/01/2020	bank charges		3,216.00	admin	
28/2/2020	bank charges		2,350.00	admin	
31/3/2020	Bank charges		4,829.86	admin	
30/4/2020	Bank charges		708.00	admin	
25/5/2020	Celestine Atieno Mary-payment of allowances to technical committee to approve physical planning report	619	372,000.00	admin	
30/5/2020	bank charges		4,596.00	admin	
20/06/2020	Celestine Atieno-Staff Allowances	629	312,000.00	admin	
30/06/2020	Bank charges		10,920.00	admin	
	Total		1,996,816.86		1,377,421.00

Kisumu Urban Project (insert Project Name)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4.2 Consultancy

Date	Particulars	Chq No	KES	Code	2018/2019
31/7/2019	Commissioner of domestic taxes	467	191,214.00	consultancy	
31/7/2019	Commissioner of domestic taxes	467	278,700.00	consultancy	
6/8/2019	Otieno odongo and Partners	472	726,611.35	consultancy	
27/8/2019	Otieno odongo and Partners	481	726,611.35	consultancy	
16/9/2019	Africa Waste and Environmental Centre-RAP	484	6,619,125.00	consultancy	
25/10/2019	Commissioner of Domestic taxes-Awemac	511	348,375.00	consultancy	
25/10/2019	Commissioner of Domestic taxes-Otieno odongo	511	38,243.00	consultancy	
25/10/2019	Commissioner of Domestic taxes-Otieno odongo	512	38,243.00	consultancy	
5/11/2019	Otieno Odongo and Partners	516	726,611.35	consultancy	
5/11/2019	Sofreco-TAT Services	520	19,516,779.00	consultancy	
7/11/2019	Group Huit 20% payment on submission of situational report	538	45,175,400.00	consultancy	
14/11/2019	Asame pride tours-return airticket for schools consultants	539	42,900.00	consultancy	
6/12/2019	PwC-Audit of PAA(July-Dec 2018)	556	4,170,258.20	consultancy	
6/12/2019	Domestic taxes department-remittance of PwC tax	557	2,771,539.00	consultancy	
16/12/2019	Domestic taxes department-remittance of Sofreco tax	562	33,512,214.00	consultancy	
16/12/2019	Domestic taxes department-remittance of Sofreco tax	564	4,758,360.00	consultancy	
17/12/2019	SAS Group Huit-additional 10% payment on PDP	572	35,277,060.88	consultancy	
4/2/2020	Diaspora desiph Builders-Payment for feasibility study &supervision of rehabilitation works	587	1,244,474.35	consultancy	
4/2/2020	Maestro Architect Ltd-payment for consultancy services for the design & supervision of proposed KUP five model school	588	550,438.50	consultancy	
6/2/2020	Otieno Odongo & partners -Payment for the supervision of five Bitumen roads in Kisumu City CCK/KUP RLP 2012/008	592	726,611.35	consultancy	
17/3/2020	SAS GROUPE HUIT-Payment for accrued bill on preparation of PDP	606	1,590,906.96	consultancy	
21/4/2020	Otieno odongo&Partners-design and supervision of bitumen roads	613	726,611.35	consultancy	
9/5/2020	SAS Group Huit-Physical planning payment	614	109,140,867.10	consultancy	
11/5/2020	Otieno Odongo and Partners-Supervision of Bitumen roads	616	726,611.35	consultancy	
12/5/2020	Domestic taxes department-remittance of withheld tax-PWC	618		consultancy	

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			201,067.00		
12/5/2020	Domestic taxes department-remittance of withheld tax-DISFORA	618	65,499.00	consultancy	
12/5/2020	Domestic taxes department-remittance of withheld tax-OTIENO ODONGO	618	76,486.00	consultancy	
	Total		269,967,818.09		119,196,457.0

9.4.3 Services

Date	Particulars	Chq No	KES	Code	2018/2019
4/10/2019	Softcom Business Solution-Electronic Document Mntg System	506	8,959,000.00	services	
25/11/2019	Kisumu Hotel-cost of hosting AFD mission	544	170,689.70	services	
25/11/2019	Asame pride tours-return airticket for the AFD Mission	547	109,750.00	services	
25/11/2019	Asame pride tours-return airticket for the extended AFD Mission	548	65,520.00	services	
11/12/2019	Domestic taxes department-remittance of Kisumu Hotel tax	558	2,166,318.00	services	
21/12/2019	Eunymat investment-payment for event organiser	573	2,080,483.20	services	
14/01/2020	Sunix insurance-insurance of KUP slid waste mngt equipments	574	1,046,210.00	services	
23/01/2020	Softcom Business solutions Ltd-payment for the supply , installation and communication of electronic document management system and digitization of records.	583	7,295,571.30	services	
3/6/2020	Diamond Trust Bank-payment of motivation allowance to KUP secretariat members from July 2017 to Sept 2020	624	7,278,301.25	services	
	Total		29,171,843.45		4,968,226.00

9.4.4. Supplies

Date	Particulars	Chq No	KES	Code	2018/2019
6/8/2019	Farm engineering ltd	471	3,718,412.00	supply	
4/10/2019	Rockey Africa Ltd-supply of 2 No motorcycles	503	585,000.00	supply	
4/1/2020	Letter of credit	N/A	8,862,785.50	supply	
20/5/2020	Lydtch investments-office stationeries	620	2,744,049.20	supply	
25/5/2020	Helgie Trucks and Equipments Ltd-supply of office stationery	621	1,485,473.65	supply	
25/5/2020	Helgie Trucks and Equipments Ltd-supply of office tonners	622	1,277,409.10	supply	
	Total		18,673,129.45		90,221,716.00

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9.4.5 Capacity Building

Date	Particulars	Chq No	KES	Code	2018/2019
5/11/2019	Advantage training- being payment of training fee SA.	518	2,796,849.45	capacity building	
5/11/2019	Doris Chandi Ombara-5days per diem to SA.	525	184,692.80	capacity building	
5/11/2019	Charles Babu Karan-5days per diem to SA.	526	184,692.80	capacity building	
5/11/2019	Beatrice Atieno Omollo-5days per diem to SA.	527	155,640.00	capacity building	
5/11/2019	Hesborn Hongo-5days per diem to SA	529	184,692.80	capacity building	
5/11/2019	Kenya Airways PLC-Return airtickets to SA.	532	842,825.00	capacity building	
5/11/2019	John Ombija-5days per diem to SA.	533	184,692.80	capacity building	
5/11/2019	Jeremiah Apunda Ombura-per diem to Nairobi.	536	24,900.00	capacity building	
5/11/2019	Bunson Travel Services Ltd-Return airticket to Jeremiah A.Ombura	537	10,300.00	capacity building	
18/11/2019	Charles Omollo-payment for additional cost of airticket for Elijah Adul.	541	17,000.00	capacity building	
18/11/2019	Elijah Adul-4days addituional per diem to SA.	542	147,754.20	capacity building	
13/12/2019	Celestine Atieno-per diem to Denmark	561	438,530.40	capacity building	
16/12/2019	Japheth Orwa-impres for FMS licence and internet	569	33,989.90	capacity building	
17/12/2019	Benard Ojwang-per diem to Denmark	571	245,910.60	capacity building	
5/2/2020	Deline Tabitha-payment for thecdata entry under KUP Financial Mngt Software for the month of December 2019 & January 2020.	589	57,000.00	capacity building	
5/2/2020	Erickson Otieno Obonyo-payment for the data entry under KUP Financial Mngt Software for the month of December 2019 & January 2020.	590	57,000.00	capacity building	
5/2/2020	Dan Ochieng-payment for the data entry under KUP Financial Mngt Software for the month of December 2019 & January 2020.	591	57,000.00	capacity building	
3/3/2020	Alphonse Juma-14days per diema and transport to ArchGIS training.	597	93,200.00	capacity building	
3/3/2020	Maurice Otieno-14days per diema and transport to ArchGIS training.	599	93,200.00	capacity building	
3/3/2020	Kevin Ajul-14days per diema and transport to ArchGIS training.	600	161,800.00	capacity building	
3/3/2020	Osborn Otero-14days per diema and transport to ArchGIS training.	601	161,800.00	capacity building	
3/3/2020	Agnes Achieng Otieno-14days per diema and transport to ArchGIS training.	602	63,800.00	capacity building	
3/3/2020	Valentine Oiro-14days per diema and transport to ArchGIS training.	604	93,200.00	capacity building	
18/3/2020	Celestine Mary Atieno Bonyo-14days per diema and transport to ArchGIS training.	607	161,800.00	capacity building	
	Total		6,452,270.75		395,277,324.00

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9.5 Transfers to CEF

Date	Particulars	Chq No	KES	Code	2018/2019
6/8/2019	AFD-MCK-Transfer of funds from PAA to CEF	473	4,298,752.75	Transfer to CEF	
	Total		4,298,752.75		5,091,248.00

9.6 Acquisition of Non-Financial Assets/Works

Date	Particulars	Chq No	KES	Code	2018/2019
4/7/2019	Mbig Ltd	463	2,579,802.00	works	
12/7/2019	Esiko kenya ltd	464	13,384,326.10	works	
31/7/2019	Commissioner of domestic taxes-SBI	466	2,621,955.00	works	
31/7/2019	Commissioner of domestic taxes-Mbig	466	545,203.00	works	
31/7/2019	Commissioner of domestic taxes-Damtech	466	397,184.00	works	
31/7/2019	Commissioner of domestic taxes-Calmex	466	16,932.00	works	
2/8/2019	Indepth construction	469	5,315,502.78	works	
6/8/2019	Glean steam engineering ltd	474	13,028,753.10	works	
14/8/2019	Ascoda General contractors	475	7,143,419.45	works	
23/8/2019	Damtech Enterprises	477	5,841,397.50	works	
23/8/2019	SBI-Dunga road	479	34,665,242.25	works	
12/9/2019	Glean steam engineering ltd	483	9,839,026.70	works	
19/9/2019	Watiti constrction ltd	485	2,187,552.90	works	
19/9/2019	Esiko Kenya ltd	486	5,310,459.00	works	
26/9/2019	Kisumu Modern Electrical and General Supplies-Rehabilitation of KUP office	488	2,270.00	works	
26/9/2019	Janam supplies and General contractors-Rehabilitation of KUP offices	492	658,735.00	works	
26/9/2019	Victoria enterprises-Rehabilitation of KUP offices	493	136,420.00	works	
26/9/2019	San Electrical services-Rehabilitation of KUP offices	494	186,580.00	works	
26/9/2019	Jubilee Jumbo Enterprises-Rehabilitation of KUP offices	496	289,068.95	works	
26/9/2019	Mbig Ltd	500	7,784,865.40	works	
26/9/2019	Indepth construction ltd	501	2,914,883.20	works	
4/10/2019	Japheth Orwa-Labour for rehabilitation of KUP offices	502	337,353.00	works	
14/10/2019	SBI International-Dunga Road	507	29,429,945.15	works	
14/10/2019	Watiti construction ltd	508	3,915,562.35	works	
24/10/2019	Ascoda General contractors	510	17,749,441.30	works	
25/10/2019	Commissioner of Domestic taxes-Glean steam	511	423,041.00	works	

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25/10/2019	Commissioner of Domestic taxes-Watiti contractors	511	67,657.00	works	
25/10/2019	Commissioner of Domestic taxes-SBI	511	1,454,962.00	works	
25/10/2019	Commissioner of Domestic taxes-Esiko Kenya Ltd	511	413,949.00	works	
25/10/2019	Commissioner of Domestic taxes-Esiko Kenya Ltd	512	164,241.00	works	
25/10/2019	Commissioner of Domestic taxes-Comacon	512	79,788.00	works	
25/10/2019	Commissioner of Domestic taxes-Glean steam	512	533,034.00	works	
25/10/2019	Commissioner of Domestic taxes-Ascoda	512	349,747.00	works	
25/10/2019	Commissioner of Domestic taxes-Indepth construction	513	183,294.00	works	
30/10/2019	Jubilee Jumbo hardware -Rehabilitation of KUP offices	514	46,251.00	works	
5/11/2019	Esiko kanya ltd	517	3,448,703.20	works	
2/12/2019	Gleansteam-car wash sije road	551	7,316,861.00	works	
5/12/2019	Watiti construction-Social Hall construction	554	3,249,995.50	works	
5/12/2019	SBI International-Impala Dunga road	555	32,439,300.05	works	
16/12/2019	Mbig Ltd-50% retention release on Kaloleni estate roads	565	3,502,604.25	works	
17/12/2019	Gleansteam-car wash sije road	570	1,624,941.00	works	
14/01/2020	Esiko kenya ltd-gravel roads and storm water drainage	575	22,963,169.40	works	
16/01/2020	SBI International-Impala Dunga road	577	28,151,876.65	works	
24/01/2020	ASCODA General contractors-payment for construction of the proposed Nairobi road KFW Nyamasaria Primary School IPC NO.8	585	4,435,543.25	works	
26/02/2020	Glennsteam engineering works ltd-car wash sije road	594	7,499,430.54	works	
18/3/2020	Umande Trust-Final release of the last 50% moety on retention	609	1,011,574.20	works	
19/3/2020	Watiti construction company ltd-rehabilitation of social centre	612	4,961,692.00	works	
11/5/2020	Mbig Ltd-Payment on kaloleni estate road construction	615	1,304,975.00	works	
12/5/2020	Domestic taxes department-remittance of withheld tax-SBI	617	108,328.00	works	
12/5/2020	Domestic taxes department-remittance of withheld tax-MBIG	617	3,498,298.00	works	
12/5/2020	Domestic taxes department-remittance of withheld tax-ESIKO	618	710,202.00	works	
12/5/2020	Domestic taxes department-remittance of withheld tax-ASCODA	618	152,950.00	works	
12/5/2020	Domestic taxes department-remittance of withheld tax-GLEEN	618	258,598.00	works	
12/5/2020	Domestic taxes department-remittance of withheld tax-WATITI	618	253,970.00	works	
12/5/2020	Domestic taxes department-remittance of withheld tax-UMANDE	618	31,286.00	works	
10/6/2020	Gleansteam Engineering works ltd-payment on the carwash sije road constructions-IPC 7	626	5,219,382.85	works	
	Total		301,141,525.02		395,571,657.00

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9.7 Accounts receivables – Imprest and Advances

Date	Payee	Cheque No	Amount	Details
05.11.2019	Dickson Odhiambo	521	184,692.80	5 days per diem in South Africa
05.11.2019	Elijah Adul	522	184,692.80	5 days per diem in South Africa
05.11.2019	Charles Ochieng Omollo	523	140,076.00	5 days per diem in South Africa
05.11.2019	Steve Gome	524	155,640.00	5 days per diem in South Africa
05.11.2019	Charles Babu Karan	526	184,692.00	5 days per diem in South Africa
05.11.2019	Charles Ochieng Omollo	531	51,880	Contingency to South Africa
05.11.2019	John Ombija	533	184,692.80	5 days per diem in South Africa
05.11.2019	Charles Ochieng Omollo	534	153,460.00	Visa processing Cost to SA
05.11.2019	Charles Ochieng Omollo	535	65,959.00	Accrued per diem
Total			1,305,786.20	

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9.8 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	822,287,913.00	669,144,199.00
Cash in hand		
Cash equivalents (short-term deposits) (Note 8.13C)		
Total	822,287,913.00	669,144,199.00

9.9 Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No.....]	xxx	xxx
Kenya Commercial Bank [A/c No.....]	xxx	xxx
Co-operative Bank of Kenya [A/c No.....]	xxx	xxx
Others (<i>specify</i>)	xxx	xxx
Total Foreign Currency balances	xxx	xxx
Local Currency Accounts		
Central Bank of Kenya [A/c No.....]	xxx	xxx
Kenya Commercial Bank [A/c No.....]	xxx	xxx
Co-operative Bank of Kenya [A/c No.....]	xxx	xxx
Others-Diamond Trust Bank Account No	845,949,281.37	742,059,401.29
Total local currency balances	845,949,281.37	742,059,401.29
Total bank account balances	845,949,281.37	742,059,401.29

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9.10 FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	822,287,913.00	669,144,199.00
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances	1,305,786.00	282,800.00
Total	845,169,035.00	670,945,090.00

9.11 OTHER IMPORTANT DISCLOSURES

Receivables from other parties

Description	1/7/2019	Additions	Releases	30/06/2020
Centre for Advanced Procurement Studies(CAPS)	67,586.00	0		67,586.00
Cash Expenditure Fund(CEF)	3,078,819.00	0		3,078,819.00
Advances to Contractors	33,387,332.00	0	33,387,332.00	0
Total	36,533,737.00		33,387,332.00	3,146,405.00

During the year, the project advanced contractors KShs 33,387,332 which was fully recovered in the subsequent IPC. KShs 67,586 represent tax which was not withheld from the supplier at the time of payment. The supplier has provided evidence of having remitted the tax to KRA. KShs 3,078,819 represents operational expenditure incurred in the PAA outside approved procurement plan in the prior years.

10.PROGRESS ON FOLLOW UP OF AUDITOR 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)
1.631	631. Inaccuracies of Financial Statements 631.1 Trial Balance The financial statements as prepared by the project management were not supported by a trial balance. Consequently, the accuracy of the financial statements could not be confirmed.. 631.2 Financial Statements Reporting Framework The review of the	We have ammended the financial statements to include the key qualifications of the City Manager,Summ ary project overall performance report which indictaes the physical progress based on outputs,outcome s and impacts since commencement	Doris Ombara-City Manager	Not Resolved	N/A

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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)
	financial statements revealed non-compliance with the IPSAS Cash Basis-Reporting Framework as follows: ☐ Roles and responsibilities did not indicate the key qualifications for the City Manager. ☐ Summary of overall project performance did not include i) physical progress based on outputs, outcomes and impacts since project commencement, and ii) comments on value for money achievements.	of the project and correct notes to the financial statements.			

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	☐ The statement of receipts and payments, statement of financial assets and statement of cash flows indicate incorrect notes to the financial statements. Consequently, the management was in breach of the IPSAS reporting framework.				
2.632	632. Ineligible Payment of Value Added Tax (VAT) The Kenya Power and Lighting Company limited (KPLC) was paid KSh.8,407,710 for relocation of service line along Impala-Dunga-Nanga road. The quotation	KPLC had refused to relocate the power service lines unless the gross invoice price was settled first. This refusal on the part of KPLC lead to delays on the	Charles Omollo-KUP Administrator	Not resolved	31 st December, 2020

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	letter from KPLC shows the cost of supply at KSh.7,248,026 and Value Added Tax (VAT) at KSh.1,159,684 totaling to KSh.8,407,710. The gross payment of the amount contravenes the credit agreement requirement that all payments to be tax exempt. Further, the management failed to issue VAT exemption documents to KPLC as laid out in the loan contract agreement resulting in ineligible payment of	commencement of the road project. The management decided to pay the gross invoice cost including VAT in order to ensure that the road contract was not unduely delayed as it sought ways to process tax(VAT) exemption certificate which will form a basis for claim of refund from KPLC.			

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	KSh.1,159,684.				
3	633. Special Accounts Statements The special account statement reflects Euros 2,336,248 (KSh.272,710,229) as amount withdrawn and not yet claimed as at 30 June 2018 whose expenditure returns had not been submitted to National Treasury. Consequently, the regularity of amount withdrawn and not claimed could not be confirmed.	Although, we had requested for exchequer on 26th June, 2018, at the close of the year on 30th June, 2018, the National Treasury had not remitted the funds to the State Department of Housing and Urban Development. (Attach request letter and bank statement of receipt).	Doris Ombara-City Manager	Not resolved	To up follow with National Treasury on a date.
4	634. Irregular Payments 634.1 Lack of	It is true that the payments were made without the endorsement	Doris Ombara-City Manager	Not resolved	31 st December, 2020

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	Technical Implementation Unit Approval Included in the statement of receipts and payments under acquisition of nonfinancial assets figure of KSh.238,422,187 are payments to five (5) contractors amounting to KSh.25,235,486. The payment relates to construction of primary schools and were made without the technical implementation unit endorsing the payments contrary to KUP operations manual.	by the Technical Implementation Unit(TIU) as required by clause 4.4 of the KUP operations manual.The payments were however approved by the TAT Architect and Engineer who have been retained to provide technical services to the Project.			

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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)
	634.2 Hire of Specialist Furniture Supplier Further it was noted that a 50% advance payment of KSh.2,500,000 was made to each of the five (5) schools' contractors for the supply of school furniture. However, the project consultants through a letter to the City Manager Ref: FC/105/03/17 dated 23 October 2017 proposed to invite a specialist furniture supplier to procure the items for the five schools. It is not clear	There was no independent contract signed for specialized furniture supplier by the employer as it would contravene the conditions of the existing contract and Public Procurement and Disposal Act.	Doris Ombara-City Manager	Not Resolved	January,2021. January,2021

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	how the specialist supplier was engaged at such an advanced stage of contract implementation as it contravenes the independence of the contractors and violates the contract agreements and procurement regulations. 634.3 Furniture Non – Delivery Physical verification visits were carried out in the five (5) beneficiary schools to confirm the delivery of school furniture. In Thim Bonde primary	The advance payments to the contractors were made on and the first delivery of furniture were done on. This	Caren Olweru-Procurement Officer.	Not Resolved	

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	school the contractor only supplied furniture worth KSh.1, 708,700 out of the advance payment of KSh.2, 500,000 resulting in a shortfall in supply totaling KSh.791, 300. In Got Nyabondo primary school, the contractor supplied furniture amounting to KSh.679, 800 out of advance payment of 2,500,000, thus short supply of KSh.1, 820,200. Further, there were no inventory records to	time period allowed the contractors to make orders from suppliers and arrange for delivery. The five contractors have now supplied all the furniture and the correct valuation has been captured in the subsequent certificates. Attached are the delivery notes and schedules			

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	indicate the value of furniture supplied to Angira, Rota and Rweya primary schools. Consequently, propriety and value for money on the expenditure on furniture amounting to KSh.12,500,000 could not be confirmed.	for supply of furniture for each school.			
5	635. Waste of Funds Included in the statement of receipts and payments under purchase of goods and services figure of KSh.54,428,209 is a payment cheque		Doris Ombara-City Manager	Not Resolved	N/A

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	No.279 dated 6 July 2017 of KSh.512,800 to an officer for provision of subsistence allowance and transport to four (4) officers from State Department of Housing and Urban Development. The officers were expected to provide technical support, monitoring and evaluation of KUP following financier's approval. However, it was not explained how the civil servants were paid subsistence and transport for eleven (11) days between 10 and				

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	21 July 2017 while these expenses were expected to be provided by the parent Ministry. Further, no report was provided to show the output of the facilitated state officers. Consequently, the regularity of KSh.512,800 expenditure could not be confirmed for the year ended 30 June 2018.				
6	636. Floodlight Relocation Included in the acquisition of non-financial assets figure of KSh.238,422,187 as shown in the	The floodlight relocation was done as discussed and approved in a meeting with the engineers approval. We attach copies of the resolution and the engineer's certificate	Kevin Ajuul-City Engineer.	Not Resolved	N/A

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	statement of receipts and payments is a floodlight valued at KSh.4,618,772. The floodlight was supposed to be supplied, installed, tested and commissioned at Oile Market. The management said that the floodlight was relocated to Kenyatta Sports Ground. However, the relocation was not supported				
7	637. Delay in Projects Implementation Payments amounting to KSh.5,985,986, KSh.4,421,189 and KSh.406,859 and totaling KSh.10,814,034 were made to KPLC and	The delay came as result of the tussle in providing VAT exemption certificate. The road is now complete and is in use.	Doris Ombara-City Manager	Not Resolved	N/A

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	Kisumu Water and Sewerage Company (KIWASCO) respectively for relocation of service lines. However, physical verification carried out on 11 October 2018 revealed that the relocation of the service lines had not been carried out which therefore delayed the inception of road works. The delay was caused by failure of KUP to issue Value Added Tax exemption certificate to KPLC and no action was taken to compel				

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	KIWASCO to relocate the service line.				
8	638. Pending Bills Excluded from note 9.1 to the financial statements under pending accounts payable are retention fees liabilities held during the defects liability period amounting to KSh.36,590,141. However, liabilities brought forward from the financial year 2016/2017 that remained outstanding as at 30 June 2018 amounted to KSh.26,826,664. Further, the closing bank balance as at	Its true the amount of KShs 36,590,141.23 is the retention fees as at 30th June,2018.Retention fees are only paid on the approval of the supervising consultant.We did not have any request for release of retention fees that was pending on 30th June,2018.	Japheth Orwa-Project Accountant	Not Resolved	N/A

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	30 June 2018 stood at KSh.42,205,209				
		It was true that the amount initially allocated under Loan AIA of KShs 655,000,000 was not adequate to cater for direct payments need in that year. The State Department of Housing and Urban Development obtained authority from the National Treasury to reallocate additional funds			

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		from Loan Revenue to Loan AIA to cater for the payments of direct payment requests/euro currency contracts. There was inadequate funding since the project received KShs 116,645,400 only during the entire financial year. This led to under absorption on the above expenditure vote heads.			
8	640. Expired Performance Guarantee Bonds	The matter was reported to the Kenya Police	Aggrey Mbeke-Procurement Officer.	Not Resolved	January 2021

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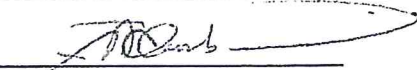
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	A follow up on the previous year audit recommendations revealed that the construction of Kemri-Otonglo and Tiengre roads was awarded to a local company who presented a forged performance bond. As a result, KUP has incurred loss of KSh.8,517,588 according to a letter dated 5 August 2017 that was written to the contractor informing the firm of KUP intention to recover the amount. The contractor has since abandoned site. In addition, a loss of	under OB No dated. The investigation file is still open. Additionally, the officer responsible for this occurrence was served with a warning letter.			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue and designation	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	KSh.5,859,132 was incurred for terminating a contract with another contractor for the construction of Namthoe road. The performance bond that the contractor issued had expired and had not been renewed as at the time of the audit. Consequently, the two (2) contracts resulted in loss of public funds. Further, the performance guarantee of KSh.4,801,474 for a local contractor which expired on 9 February 2016 is yet to be renewed. The contract				

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	to supply, install blade server, set up data centre and related services continued beyond its completion date but has not received a no objection from the financier to extend the end date resulting in irregular engagement				


 City Manager


 Finance Officer

Date

Date

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments
	a	b	C=a-b	d=b/a %	
Receipts					
Transfer from Government entities	806,000,000.00	805,926,100.00	73,900.00	99.9%	All budget funds received.
Total Receipts	806,000,000.00	805,926,100.00	73,900.00	99.9%	All budget funds received.
Payments					
Purchase of goods and services	467,000,000	326,261,877	141,107,510	70%	Disruption of work by COVID 19
Acquisition of non-financial assets	334,000,000	301,141,525	32,858,475	90%	Disruption of work by COVID10
Transfers to CEF	5,000,000	4,298,753	701,247.00	86%	There was inadequate funding to the CEF pending finalization of Financial Management Software.
Total Payments	806,000,000	631,702,155	174,667,230	78%	

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ANNEX 2A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020	Outstanding Balance 2020	Comments
	a	b	c	d=a-c		
Construction of buildings						
1.						
2.						
3.						
Sub-Total						
Construction of civil works						
4. Esiko Kenya Ltd						
5. Mbig Ltd						
6.						
Sub-Total						
Supply of goods						
7.						
8.						
9.						
Sub-Total						
Supply of services						
10.						
11.						
12.						
Sub-Total						
Grand Total						

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2019/20	Purchases/ Additions in the Year (KShs) 2019/20	**Disposals in the Year (KShs) 2019/20	Transfers in/(out) Kshs 2019/20	Closing Cost (KShs) June 2020
	(a)	(b)	(c)	(d)	(e) = (a) + (b) - (c) + (-) d
Land					
Motor Vehicles	18,257,758	13,166,198			31,423,956
Office furniture and equipments	5,5913,688				5,591,368
Motor cycles	2,629,000	588,500			3,217,500
Signposts	86,248				86,248
Plant and Machinery	50,889,255				50,889,255
ICT computers and equipments	1,820,800				1,820,800
Community Assets	174,345,756	287,386,827			461,732,583
	303,942,505	301,141,525			430,738,274.02