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Enhancing Accountability

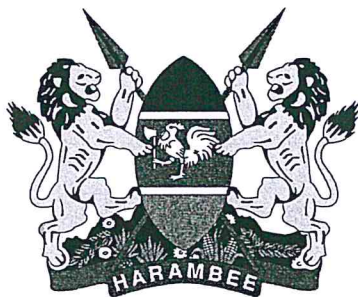
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COMMITTEE	
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REPORT**OF****THE AUDITOR-GENERAL****ON**

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

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

COUNTY GOVERNMENT OF KISUMU



KISUMU URBAN PROJECT(CASH EXPENDITURE FUND)

CITY OF KISUMU

PROJECT GRANT/CREDIT NUMBER AFD 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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1.PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: Kisumu Urban Project-Cash Expenditure Fund Account

Objective: The key objective of the project is

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

The address of its registered office is:

Milimani Office, Tom Mboya Drive
P.O Box 7492-40100
KISUMU.

Contacts: The following are the project contacts

Telephone: (254) 77554307

E-mail: kupsecretariat@ymail.com

Website: www.citycouncilofkisumu.or.ke

1.2 Project Information

Project Start Date:	The project start date is 12 03 12
Project End Date:	The project Technical Completion Date is 31 03 2021. However the Last Drawn Down Date is 30 11 2018
Project Manager:	The project manager is Miss Doris Ombara
Project Sponsor:	The project sponsor is ----French Development Agency (AFD)

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

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the State Department of Housing and Urban Development, Ministry of lands and Housing.
Project number	AFD-CKE 1035.01.G
Strategic goals of the project	The strategic goal of the Cash Expenditure Fund is to finance the operational activities associated with the implementation of Project as indicated in clause 3.4.3(a) of the Credit Facility Agreement.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) ensuring the availability of adequate cash to finance eligible operational expenditures associated with the implementation of the Project.
Other important background information of the project	The project is financed through a transfer of funds from the Project Advance Account(PAA) to the Cash Expenditure Fund as provided under clause 4(b)(ii) paragraph 6 of amendment No 2 to the Credit Facility Agreement(CFA).
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) to fund eligible operational activities associated with the implementation of the Project
Project duration	The project started on 12th March,2012 and is expected to run until 31 March 2021

1.4 Bankers

The following are the bankers for the current year:

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

1.5 Auditors

The project is audited by the Auditor General

1.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
Doris Ombara	City Manager	Masters	Overall Administration(internal & external)
Emmanuel Opetu	City Finance Officer	CPA,Bcom	Resource Allocation
Japheth Orwa	Project Accountant	CPA,Bcom, Financial Management for Donor Funded Projects,SMC,MBA(On going)	Budgeting,Payment processing,Reporting and Audit Management.
Charles Omollo	Project Administrator	BCom,Masters(On-going)	Project Administration(internal)

1.7 Funding summary

The Project is for duration of 10 years from 2012 to 2021 with an approved budget of € 500,000 (use donor currency) equivalent to approximately KSh 56M as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date –		Undrawn balance to	
	Donor currency (A)	KShs (A')	Donor currency (B)	KShs (B')	Donor currency (A)-(B)	KShs (A')-(B')
(i) Grant						
AFD	500,000	56,000,000	530,389.55	59,045,118.76	-30,389.55	3,045,118.76
Total	500,000	56,000,000	530,389.77	59,045,118.76	(30,389.5)	3,045,118.76

The Management has converted the € 500,000 at KShs 112/Euro to arrive at approximately KShs 56,000,000.00

1.8 Summary of Overall Project Performance:

The Management transferred KShs 4,298,752.75 from PAA to CEF and financed activities of KShs 4,355,185.00 resulting into a deficit of KShs 56,332.25.

1.9 Summary of Project Compliance:

The management complied with the requirements regarding the operations of the CEF.

- 1.Preparation of Financial statements on cash basis.
- 2.Preparation of bank reconciliation statements on monthly basis.
- 3.Submission of financial statements to the Auditor as required by the Public Audit Act.
- 4.Obtaining AFD No objection on transfers of Funds from PAA to CEF.

1. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

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

Progress on attainment of Strategic development objectives

Project	Objective	Outcome	Indicator	Performance
Cash Expenditure Fund	To provide adequate operation funding to fund legitimate and eligible operation expenses associated with the implementation of the project.	Increased facilitation of operational activities associated with the implementation of the Project.	Operational activities of the project have been adequately funded in the past, however due to limited funding in the year 2019/2020 we have not been able to finance most of the operational activities.	In FY 19/20 we spent KShs 4,355,185.00 to finance operational activities of the project.

2. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.

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

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

3. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The management of Kisumu Urban Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 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 Management of the project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Management of the project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. The management of project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements

The Project financial statements were approved by the project Secretariat on _____ 2020 and signed by them.

City Manager
Name:Doris Ombara

Finance Officer
Name:Emmanuel Opetu

Project Accountant
Name:CPA Japheth Orwa
ICPAK Member Number:9444

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KISUMU URBAN PROJECT (CASH EXPENDITURE FUND) - 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 (Cash Expenditure Fund) set out on pages 1 to 22 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 the Kisumu Urban Project (Cash Expenditure) 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 Development(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 (Cash Expenditure Fund) 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 Financing Agreement and Addendum No.4.

Basis for Qualified Opinion

1.0 Unconfirmed Balances in the Financial Statements

1.1 Statement of Financial Assets

The statement of financial assets reflects a financial assets balance totalling Kshs.6,273,235 which however, differs from the net financial position balance of Kshs.6,461,695 reflected in the statement resulting in a difference of Kshs.188,460 between the two balances which should tally. No explanation has been provided by Management for the anomaly.

In the circumstance the accuracy of the statement of financial assets as at 30 June, 2020 has not been confirmed.

1.2 Fund Balance

The statement of financial assets as at 30 June, 2020 reflects a net financial position balance amounting to Kshs.6,461,695. However, the sum of the comparative (2018/19) fund balance component accounts reflected in Note 9.7 to the financial statements is Kshs.6,009,299 against Kshs.6,518,027 reflected in the audited financial statements for the previous year. The variance of Kshs.508,728 between the two sets of records has not been explained.

In the circumstance, the accuracy of the statement of financial assets as at 30 June, 2020 has not been confirmed.

1.3 Cash and Cash Equivalents

The statement of cash flow reflects cash and cash equivalents credit balance at the year-end of Kshs.(733,175) which is at variance with the account's debit balance amounting to Kshs.9,572 reflected in the statement of financial assets. The difference amounting to Kshs.(742,747) between the cash and cash equivalents balances reflected in the two statements has not been explained.

In the circumstance, the accuracy of the cash and cash equivalents balance amounting to Kshs.9,572 reflected in the statement of financial assets as at 30 June, 2020 has not been confirmed.

1.4 Transfers from Kisumu Urban Project Advance Account

The statement of receipts and payment reflects cumulative transfers from the Project Advance Account (PAA) totalling Kshs.52,147,613 by the year ended 30 June, 2020. However, the funding summary at Note 1.7 to the financial statements reflects transfers totalling Kshs.59,045,119 resulting to a difference of Kshs.6,897,506. No explanation has been provided for the anomaly.

In the circumstance, the accuracy of the cumulative transfers from the PAA totalling Kshs.52,147,613 as at 30 June, 2020 has not been confirmed.

2.0 Presentation of the Financial Statements

The statement of receipts and payments is labeled 'for the period ended' instead 'for year ended'. The label does not tally with the operations of the Project under audit review which are for the year ended 30 June, 2020.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kisumu Urban Project 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 our professional judgment, are of most significance in the audit of the financial statements of the current year. There were no key audit matters 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 Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Purchase of Goods and Services-Expenditure on Fuel

Examination of expenditure records indicated that Kshs.1,200,518 was spent on purchase of fuel, oils and lubricants during the year under review as disclosed in Note 9.4 to the financial statements. The fuel records presented for audit indicated that the fuel was used on heavy machinery such as excavators, landfill compactors and fire engines. However, work tickets for the machines and the vehicles were not availed for audit and as a result, it was not possible to validate the records. Also, the nature of work done by the excavators and landfill compactors in particular was not clear since all road construction work under the project was contracted out.

Further, the purchase of fuel was not included in the procurement plan for the year contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, the purchase of the fuel by the Project was irregular. In addition, there is no confirmation that the expenditure totaling Kshs.1,200,518 was a proper charge on public funds.

2.0 Outstanding Imprests

The statement of financial assets reflects accounts receivables totalling Kshs.6,263,663 being imprests and advances, as further disclosed in Note 9.8. to the

financial statements. However, a review of the financial documents presented for audit indicated that some of the imprests were issued in the year 2015 and had therefore, remained outstanding for five years. Also, imprest warrants were not provided to support the outstanding imprests and as a result, their validity could not be confirmed. The delay in surrender of the imprests contravenes Regulation 93(6) of the Public Finance (National Government) Regulations, 2015 which requires Accounting Officers to recover imprests from the salaries of defaulters and charge interest on delayed surrenders at the prevailing Central Bank of Kenya rates. The schedule also indicated that some officers were issued with multiple imprests contrary to Section 93(4)(c) of the Regulations.

In the circumstances, Management is in breach of the law and further, recoverability of the imprest totalling Kshs.6,263,663 is doubtful.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion and Basis for Lawfulness and Effectiveness in Use of Public Resources sections of my report, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 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 responsible for ensuring that 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.

Those charged with governance are responsible for overseeing the Kisumu Urban Project (Cash Expenditure Fund) financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in

compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

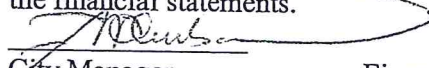
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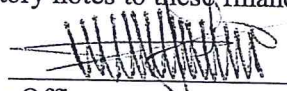
Kisumu Urban Project (Cash Expenditure Fund)
Reports and Financial Statements
For the financial year ended June 30, 2020

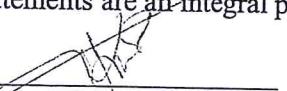
4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020

	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 PAA	9.3	4,298,752.75	0.00	5,901,247.20		52,147,613.44
Cash deposits	9.3	100.00	0.00	486,670.00		887,770.00
TOTAL RECEIPTS		4,298,852.75	0.00	6,387,917.20		53,035,383.44
PAYMENTS						
Purchase of goods and services	9.4	4,355,185.00	0.00	6,753,745.00	0.00	53,753,153.24
TOTAL PAYMENTS		4,355,185.00	0.00	6,753,745.00		53,753,153.24
SURPLUS/(DEFICIT)		(56,332.25)	-	(365,827.80)		0.00

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

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

	Note	2019/20	2018/19
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	9.5	9,531.77	(248,721.00)
Cash Balances	9.5	40.00	(5,643.00)
Total Cash and Cash Equivalents		9,571.77	(254,364.00)
Accounts receivables – Imprest and Advances	9.6	6,263,663.20	6,263,663.20
TOTAL FINANCIAL ASSETS		6,273,235.00	6,518,027.20
REPRESENTED BY			
Fund Balance b/f		6,518,027.20	6,883,855.00
Surplus/(Deficit) for the year		(56,332.25)	(365,827.80)
NET FINANCIAL POSITION		6,461,695.00	6,518,027.20

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

City Manager
Date

Finance Officer
Date

Project Accountant
Date
ICPAK Member Number:9444

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

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

		2019/20	2018/19
	Note	KShs	KShs
Receipts for operating activities			
Transfer from PAA	9.3	4,298,752.75	5,901,247.20
Miscellaneous receipts-cash deposits	9.3	100.00	486,670.00
Total		4,298,852.75	6,387,917.20
Payments for operating activities			
Purchase of goods and services	9.4	4,355,185.00	6,753,745.00
Net cash flow from operating activities		-56,332.25	-365,827.80
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets			
Net cash flows from Investing Activities		0.00	0.00
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings			
Net cash flow from financing activities		0.00	0.00
NET INCREASE IN CASH AND CASH EQUIVALENT		-56,332.25	-365,827.80
Cash and cash equivalent at BEGINNING of the year		-676,842.80	-311,015.00
Cash and cash equivalent at END of the year		-733,175.05	-676,842.80

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 _____ 2020 and signed by:

City Manager
Date

Finance Officer
Date

Project Accountant
Date
ICPAK Member No:9444

7. 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 PAA	8,308,310.00	0	8,308,310.00	4,298,752.75	4,009,557.25	52%
Total Receipts	8,308,310.00	0	8,308,310.00	4,298,752.75	4,009,557.25	52%
Payments						
Purchase of goods and services	8,308,310.00	0	8,308,310.00	4,355,185.00	3,953,125.00	52%
Total Payments	8,308,310.00	0	8,308,310.00	4,355,185.00	3,953,125.00	52%

City Manager
Date

Finance Officer
Date

Project Accountant
Date
ICPAK Member No:9444

8. 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 other 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 the parent Ministry 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

There were no government counterpart funding received during the year under review. During the year, the management banked KShs 100 only into the CEF bank account. The Project transferred KShs 4,298,752.75 from PAA to CEF during the year under review.

Kisumu Urban Project (Cash Expenditure Fund)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.4 PURCHASE OF GOODS AND SERVICES

	A	B	C	D	E	F=A-D	G
Budget Line	Approved budget	Cheque Payments	Petty Cash Payments	Total Payments	FY 2018/2019	Variance	% Variance
Stationery	500,000.00	40,159.90	26,094.00	66,253.90	1,079,670.00	433,746.10	8%
Communication	456,000.00	84,239.00	11,430.00	95,669.00	155,918.00	360,331.00	79%
Traveling and Subsistence All	2,000,000.00	689,915.00	-	689,915.00	2,224,870.00	1,310,085.00	66%
Fuels,Oils and Lubricants	1,000,000.00	1,200,518.00	-	1,200,518.00	960,720.00	-200,518.00	-20%
Repairs and Maintenance	1,302,310.00	-	-	0	27,100.00	1,302,310.00	100%
KUP Secretariat Expenses	2,250,000.00	2,230,413.00	72,416.00	2,302,829.00	1,427,303.00	-52,829.00	-2%
Others	800,000.00	0	0	0	878,164.00	800,000.00	100%
Total	8,308,310.00	4,245,244.90	109,940.00	4,355,184.90	6,753,745.00	3,953,125.10	41%

TRIAL BALANCE AS AT 30TH JUNE 2020

	Dr	Cr
Transfers from PAA		4,298,752.75
Cash deposit		100.00
Stationery	66,254.00	
Communication	95,669.00	
Traveling and Subsistence Allowances	689,915.00	
Fuels,Oils and Tyres	1,200,518.00	
KUP Secretariat expenses	2,302,829.00	
Deficit for the year	(56,332.75)	
Total	4,298,852.75	4,298,852.75

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.5 CASH AND CASH EQUIVALENTS

	2019/20	2018/19
	KShs	KShs
Bank accounts	9,531.80	4,706.70
Cash in hand	40.00	-5,643.00
Total	<u>9,571.80</u>	<u>-936.30</u>

A Bank Accounts

Project Bank Accounts

	2019/20	2018/19
	KShs	KShs
Local Currency Accounts		
Kenya Commercial Bank [A/c No 1120413257.....]	9,531.80	0.00
Total local currency balances	9,531.80	0.00
Total bank account balances	<u>9,531.80</u>	<u>0.00</u>

B Cash In Hand

	2019/20	2018/19
	KShs	KShs
Location 1-KUP OFFICES	40.00	-5,643.00
Total cash balances	<u>40.00</u>	<u>-5,643.00</u>

Kisumu Urban Project (Cash Expenditure Fund)
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.6 OUTSTANDING IMPRESTS AND ADVANCES

Date	Imprest Holder	Warrant No.	Amount Issued	Amount Surrendered	Amount Outstanding	Cumulative Balance
8/27/15	Japheth Orwa	298	272,000.00	-	272,000.00	272,000.00
6/11/2015	Loise Amoro	356	580,176.00	-	580,176.00	852,176.00
9/21/15	Jacob Obera	328	43,286.00	-	43,286.00	895,462.00
7/15/15	Aggrey Mbeke	263	372,000.00	-	372,000.00	1,267,462.00
7/20/15	Patrick Nyamita	275	290,000.00	-	290,000.00	1,557,462.00
8/26/15	Japheth Orwa	291	100,000.00	-	100,000.00	1,657,462.00
7/15/15	Aggrey Mbeke	270	134,400.00	-	134,400.00	1,791,862.00
7/15/15	Aggrey Mbeke	9267	160,000.00	-	160,000.00	1,951,862.00
7/15/15	Wamalwa Munoko	265	792,400.00	-	792,400.00	2,744,262.00
7/15/15	Wamalwa Munoko	264	135,000.00	-	135,000.00	2,879,262.00
7/15/15	Daniel Okuta		300,000.00	-	300,000.00	3,179,262.00
4/17/15	Japheth Orwa	4606	292,500.00	-	292,500.00	3,471,762.00
7/26/2016	Charles Omollo	5089	27,400.00	-	27,400.00	3,499,162.00
12/7/2016	Charles Omollo	5168	2,980,308.00	2,980,308.00		3,499,162.00
12/7/2016	Charles Omollo	5191	43,100.00	-	43,100.00	3,542,262.00
7/5/2016	Japheth Orwa	4606	124,000.00	-	124,000.00	3,666,262.00
7/14/2016	Japheth Orwa	4613	90,800.00	-	90,800.00	3,757,062.00
7/26/2016	Japheth Orwa	4624	118,000.00	-	118,000.00	3,875,062.00
8/17/2016	Japheth Orwa	5051	57,600.00	-	57,600.00	3,932,662.00
12/5/2016	Japheth Orwa	5153	117,000.00	-	117,000.00	4,049,662.00
12/5/2016	Japheth Orwa	5180	15,000.00	15,000.00		4,049,662.00

2/26/2016	Japheth Orwa	3280	40,000.00	40,000.00	-	4,049,662.00
3/8/2018	Japheth Orwa	6424	55,000.00	-	55,000.00	4,104,662.00
2/2/2016	Japheth Orwa	2152	134,000.00	-	134,000.00	4,238,662.00
7/12/2017	Daniel Okuta	5757	361,000.00		361,000.00	4,599,662.00
5/17/2017	Lydia Muthoni	5053	430,801.00	427,000.00		4,603,463.00
3/6/2018	Charles Omollo	6423	114,000.00	-	114,000.00	4,717,463.00
3/14/2018	Charles Omollo	6436	28,000.00	-	28,000.00	4,745,463.00
3/14/2018	Charles Omollo	6436	171,200.00	-	171,200.00	4,916,663.00
3/27/2018	Charles Omollo	6440	73,000.00	-	73,000.00	4,989,663.00
4/20/2018	Charles Omollo	8151	62,000.00	-	62,000.00	5,051,663.00
6/12/2018	Charles Omollo	8120	86,600.00	-	86,600.00	5,138,263.00
6/21/2018	Charles Omollo	8130	27,400.00		27,400.00	5,165,663.00
3/6/2018	Japheth Orwa	6424	55,000.00		55,000.00	5,220,663.00
5/29/2018	Japheth Orwa	8078	230,000.00	-	230,000.00	5,450,663.00
5/8/2018	Japheth Orwa	8197	121,200.00	-	121,200.00	5,571,863.00
4/20/2018	Japheth Orwa	6450	35,500.00	-	35,500.00	5,607,363.00
3/23/2018	Japheth Orwa	6439	64,000.00	-	64,000.00	5,671,363.00
3/12/2018	Japheth Orwa	6427	154,800.00	-	154,800.00	5,826,163.00
3/6/2018	Alphonse Misachi	6422	171,700.00	-	171,700.00	5,997,863.00
3/12/2019	John Ombija	6512	45,000.00	-	45,000.00	6,042,863.00
3/12/2019	John Ombija	8671	59,000.00	-	59,000.00	6,101,863.00
3/5/2020	Celestine Atieno	11612	161,800.00	-	161,800.00	6,263,663.00
Totals			9,725,971.00	3,462,308.00	6,259,862.00	

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9.7 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 person to resolve the issue and designation	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
643.	Unapproved KUP Operation Manuals During the year under review, KUP used draft operations manual that did not receive lender's no objection contrary to amendment No.2 to the CFA Clause 5.	The management submitted the draft operations manual to the lender for issuance of a No objection on 6th November, 2018. We have sent a reminder to the financier	City Manager	Resolved	N/A
644.	Unsupported and Misstatement of All Other Expenditure Note 11 to the financial statements reflect all other expenditure figure of KSh.651,659 which	The figure of KShs 39,060 was wrongly included as payment when infact it was an outstanding	City Manager	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	includes a payment dated 18 April 2018 vide cheque number No.506 for KSh.39,060. The payment was presented in the financial statements both as an expenditure and outstanding imprest. Further, a petty cash expense of KSh.118,775 was not supported by payment vouchers. In addition, a payment of KSh.145,850 did not have any narration as to identify what the expenditure related. Consequently, the accuracy and completeness of the financial statements as at 30	imprest. This occurred due to the manual system that was in use by then. This outstanding imprest have been removed from the income statement and reported under receivables. The payment voucher of KShs 145,850 has been availed to the auditor. The			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	June 2018 could not be confirmed.	management has downloaded quickbooks to help improve on its financial management . auditor.A ledger supporting the petty cash payment of KShs 710,421 has also been provided to the auditor.			
645.	Unsupported KUP Secretariat Expenses Note 10.8 to the financial statements as	The supporting documents to the	Doris Ombara-City Manager	Resolved	N/A

Kisumu Urban Project (Cash Expenditure Fund)
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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: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	at 30 June 2018 reflect KUP secretariat services figure of KSh.4,288,710. This balance includes cash payments totaling KSh.3,660,621 shown in the bank statements as paid to one officer on behalf of various officers to perform different functions. However, the payments lacked supporting documents (travel tickets, receipts and invitation letters) to show that the intended functions were achieved. Further, a petty cash expenses amount of KSh.710,421 was not supported by way of payment vouchers or	payment of KShs 3,660,621 has been provided to the auditor.A ledger supporting the petty cash payment of KShs 710,421 has also been provided to the auditor.			

Kisumu Urban Project (Cash Expenditure Fund)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolve a / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	receipts. As a result, the accountability and propriety of the KUP Secretariat expenditure of KSh.4,288,710 could not be ascertained.				
.646	Ineligible Pending Bills Indicated under item (iv) of the significant accounting policies to the financial statements are pending bills amounting to KSh.2,128,038 as at 30 June 2018, contrary to amendment No.2 to clause 4 of credit financing agreement (CFA). Further, three (3) outstanding imprests totaling to KSh.551,438	The three payments totalling KShs 551,438 were wrongly classified as pending bills when they were infact unsurrendered imprests. We have now classified them under	Doris Ombara- City Manager	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: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	(travelling cost to Nairobi KSh.38,600; cost of AFD mission KSh.366,800; reimbursement of float KSh.146,038) were classified as pending bills under unclear circumstances. In view of the foregoing, the eligibility of the pending bills of KSh.2,128,038 is doubtful.	receivables. Under cash basis IPSAs, pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods.			
647	. Budget Performance During the financial year, KUP (CEF) had a total budget of	. The three payments totalling KShs	Doris Ombara-City Manager	Resolved	N/A

Kisumu Urban Project (Cash Expenditure Fund)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>KSh.20,670,375 against a total expenditure of KSh.19,404,023 resulting in 94% budget absorption.</p> <p>Although the overall budget absorption rate is indicated as 94% the entity under spent the budget on office stationery (39%) and repairs & maintenance (44%), while they overspent on travelling & subsistence (105%), fuels, oils & tyres (160%) and KUP secretariat services (148%). In addition, training expenses incurred KSh.858,211 against a zero (KSh.0) budget. No explanation was</p>	<p>551,438 were wrongly classified as pending bills when they were infact unsurrendered imprests. We have now classified them under receivables. Under cash basis IPSAs, pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted</p>			

Kisumu Urban Project (Cash Expenditure Fund)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue and designation)	Status: (Resolve a / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	given for the variances in budget performance as well as reasons for overspending on some expenditure items	goods or services during the year/period or in past years/periods.			
648	. Irregular Issuance of Imprest Note 14 to the financial statements under outstanding imprests and advances shows a balance of KSh.6,877,287 which includes of current outstanding imprests amounting to KSh.1,045,020. The imprests were issued in the names of various officers whose payment cheques were withdrawn by one	Although the payment cheque was issued in the name of the cashier,we provide evidence to show that each imprest holder signed on receipt of cash.The imprest have now been surrendered.	Doris Ombara-CityManager	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: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>officer (a third party to the imprests). However, there was lack of documentary evidence that the imprest holders received the due cash. Further, the imprests issued had not been surrendered as at 30 June 2018 contrary to KUP operations manual.</p> <p>In addition, item named 'In eligible cost brought forward' amounting to KSh.5,427,267 was not supported.</p> <p>Further, two (2) outstanding imprests of KSh.38,600 and KSh.366,800 issued to an officer were erroneously</p>	<p>We have ammended the financial statements to remove the two (2 No)oustandi ng imprest from pending bills to receivables.</p>			

Kisumu Urban Project (Cash Expenditure Fund)
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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)
	reflected in the statements as pending bills.				
649	Invalid Bank Reconciliation Statements During the year under review, the bank reconciliation statements for twelve months were not validated or approved contrary to KUP operations manual. Further, the bank reconciliation statement for the month of May 2018 was not availed for audit and no explanation was given for the omission. Consequently, the accuracy of the cash and bank balance as shown in the financial	This occurred due to oversight on the part of the management. The bank reconciliation statements have now been regularised and the one for May 2018 prepared and approved as required by the project operations	Doris Ombara-City Manager	Resolved	N/A

Kisumu Urban Project (Cash Expenditure Fund)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	statements could not be confirmed.	manual.			
650	<p>. Delayed Remittance of Withholding Tax.</p> <p>During the year under review, a 30% withholding tax on motivational allowances amounting to KSh.1,392,323 was remitted to Kenya Revenue Authority in two (2) instalments of KSh.1,131,137 and KSh.261,186 on 15 December 2017 and on 25 January 2018 respectively. This translates to 9 months of delay in remittance contrary to the requirement by the</p>				

Kisumu Urban Project (Cash Expenditure Fund)
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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)
	Income Tax Act section 8(1). The late submission of the withholding tax may attract more penalties and lead to ineligible expenditure.				
651	. Irregular Payment of Motivational Allowances Included in the statement of receipts and payments is motivational allowances amounting to KSh.8,268,981. The allowances were paid to KUP secretariat from April 2012 to June 2017. Nevertheless, there was no indication that the Salaries and Remuneration	The KUP operations manual provides for the payment of motivation allowances to members of KUP secretariat. We received AFD's no objection to pay the allowances	Doris Ombara -City Manager	Resolved	N/A

Kisumu Urban Project (Cash Expenditure Fund)
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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: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Commission (SRC) approved the allowances in accordance with Article 230 of the Constitution of Kenya 2010. Further, the above figure excludes a payment cheque No.310 dated 28 January 2018 of KSh.609,434 which was paid through the KUP (PAA) bank account. In addition, a payment to an officer vide cheque No. 511 dated on 23 November 2017 of KSh.876,487 was not supported with any documentation. Consequently, the validity of the expenditure could not be confirmed.</p>				

Kisumu Urban Project (Cash Expenditure Fund)
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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)
652	Irregular Travelling and Subsistence Expenses Note 10.4 to the financial statements under travelling and subsistence expenses figure of KSh.2,618,635 includes expenses amounting to KSh.2,408,190. The expenses were incurred by issuing of imprest to an officer on behalf of other recipients, some of whom were not employees of the project. Further, there were no travel and subsistence documents to support the purposes of the imprests resulting	The people who were paid were not strangers since AFD provided the no objection on the terms of reference to provide technical support to the project. The imprests has now been surrendered with all supporting travel documents including release letters, boarding passes, airtickets, taxi receipts and progress report on the assignment	Doris Ombara- City Manager	Resolved	N/A

Kisumu Urban Project (Cash Expenditure Fund)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	to an irregular public spending.				

AUDIT ISSUES IN FY 2018/2019 FINANCIAL STATEMENTS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Failure to properly identify the reporting period.	This was an omission on the part of Management. The reporting period has been correctly stated in the FY 2019/20 Financial Statements.	Japheth Orwa-Project Accountant.	Resolved	30/09/2020
1.2	Failure to indicate approval date of Financial statements.	This was an omission on the part of Management. The approval date has been correctly stated in the FY 2019/20 Financial Statements.	Emmanuel Opetu-Finance Officer and Doris Ombara-City Manager	Resolved	30/09/2020
1.3	Incomplete disclosure of the Financial	The objective of the Project is	Japheth Orwa-Accountant,E	Resolved	30/9/2020

Kisumu Urban Project (Cash Expenditure Fund)
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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: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	statements	stated,progress on follow up of the Auditor-General's recommendation has been include including actions taken to address the issues raised.	mmanuel Opetu-Finance Officer and Doris Ombara-City Manager		
1.4	Late submission of financial statements	This was occasioned due to non-availability of one signatory to the financial statements. The Financial statements of the year 2019/20 have been submitted in compliance with the Public Audit Act.	Emmanuel Opetu-Finance Officer and Doris Ombara-City Manager	Resolved	30/9/2020
2.	Trial Balance	.This was an omission on the part of management. Trial balance has been included in the current year's report.	Japheth Orwa-Accountant	Resolved	30/9/2020.
3.1	Unsupported payments	All payments in the current year have been adequately supported with payment vouchers and schedules.	Japheth Orwa-Accountant,E mmanuel Opetu-Finance Officer and Doris Ombara-City Manager	Resolved	30/9/2020
3.2	Unaccounted for purchases	All stationery received were	Caren Olwero-Procurement	Resolved	30/9/2020

Kisumu Urban Project (Cash Expenditure Fund)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolve d / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		duly recorded in the stores receipt voucher. The stores receipt voucher is available for inspection.	Officer.		
4.1	Cash at Hand and at Bank	There was a failure on the part of management to correctly interpret the requirement of IPSAS 1 on the treatment/offset of assets and liabilities and revenues and expenses. The cash books showed the closing book balances while Note 1.6 showed the actual amounts in the bank.	Doris Ombara-City Manager	Not Resolved	
4.2	Unsupported imprest				
5.1	Stale cheques	The stale cheques were debited in the cash book but not removed from the income statement. In the current year, all stale cheques have been removed from the	Japheth Orwa-Accountant	Resolved	30/9/2020

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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)
		income statement.			
5.2	Understatement of amount received	The management did not update the project funding summary to reflect the actual amount received. The actual amount received has been correctly stated in the FY 2019/20 report.	Japheth Orwa-Accountant	Resolved	30/9/2020
6.0	Misstated Fund Balance Brought Forward	The correct fund balance b/f was KShs 6,883,855.00 as stated in the FS. There was an omission to include that in note 1.8	Japheth Orwa-Accountant	Resolved	30/9/2020
7.0	Pending bills	The management inadvertently included included pending bills under Annex as opposed to including them under "other important disclosures". There are no pending bills in the current year's report.	Japheth Orwa-Accountant	Resolved	30/9/2020

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City Manager

Finance Officer

Date

Date

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from PAA	8,308,310.00	4,298,752.75	4,009,557.25	52%	This was the only transfer from PAA approved by the financier in the year under review.
Total Receipts	8,308,310.00	4,298,752.75	4,009,557.25	52%	
Payments					
Purchase of goods and services	8,308,310.00	4,355,185.00	3,953,125.00	52%	Delayed funding affected activity level.
Total payments	8,308,310.00	6,753,745.00	3,446,255.00	52%	

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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 2019	Comments
	a	b	c	d=a-c	
Supply of goods					
Sub-Total					
Supply of services					
Sub-Total					
Grand Total					