

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 17 SEP 2020 DAY: THURSDAY

OF

PARLIAMENT
OF KENYA
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TABLED BY: Hon. (Dr) Annis Amwayi LOMF.

CLERK-AT: Lemwa Njirani

THE AUDITOR-GENERAL

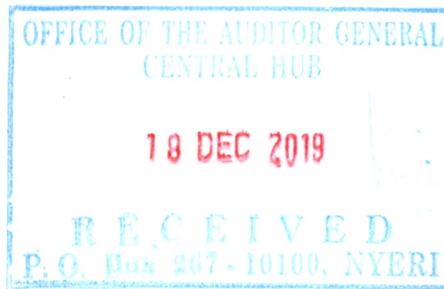
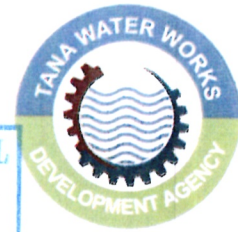
ON

**KENYA TOWNS SUSTAINABLE WATER
SUPPLY AND SANITATION PROGRAM**

**FOR THE YEAR ENDED
30 JUNE, 2019**

**TANA WATER WORKS DEVELOPMENT
AGENCY**





PROJECT NAME: KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM

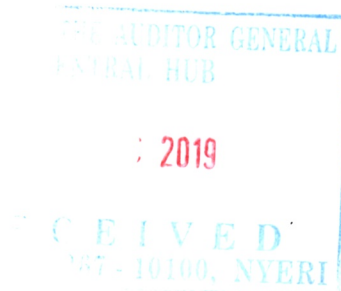
**IMPLEMENTING ENTITY: TANA WATER WORKS DEVELOPMENT AGENCY
(FORMERLY TANA WATER SERVICES BOARD)**

PROJECT LOAN NUMBER: 2000200000501

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30 2019**

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





TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 2000200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

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TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 2000200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and Registered Office

Name: Tana Water Works Development Agency

Objective:

The main objective of the Program is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns in Kenya, with a view to catalyzing commercial activities, driving economic growth, employment creation, improving quality of life of the people and building resilience against climate variability and change.

Address:

Tana Water Works Development Agency
Baden Powell Rd.
Nyeri County, Kenya
P.O. Box 1292-10100
Nyeri.

Contacts:

Telephone: 061-2032282
Fax: 061-2034118
E-mail: info@tanawwsb.or.ke or tanawaterboard@yahoo.com
Website: www.tanawwsb.or.ke

1.2 Project Information

| | |
|---------------------|--------------------------|
| Project Start Date: | 29 September 2017 |
| Project End Date: | 31 December 2021 |
| Project Manager: | Eng. Moses M. Naivasha |
| Project Sponsor: | African Development Bank |

TANA WATER WORKS DEVELOPMENT AGENCY
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1.3 Project Overview

| | |
|--|--|
| Line Ministry | The Project is under the Supervision of the Ministry of Water and Sanitation |
| Project Number | P-KE-E00-011 |
| Strategic Goals of the Project | The Strategic Goals of the Project is to improve the access, quality, availability and sustainability of water supply and waste water management in the Kenya Towns of Kerugoya, Kutus, Chuka, Chogoria, Meru, Muran'ga, Othaya, Mandera, Marsabit, Isiolo and Garissa. |
| Achievement of Strategic Goals | The Project Management aims to achieve the goals through the following means: <ul style="list-style-type: none"> i. Construction and Rehabilitation of Water Supply and Sanitation infrastructure for improved water and sanitation services. ii. Capacity Development of Water Service Providers and Water Agency, the sector regulator for improved service efficiency and women and youth for increased employment opportunities. iii. Improved water and sanitation services iv. Improved service efficiency and sustainability v. Increased employment opportunities |
| Other Important Background Information of the Project | The Project aims to improve the Health and Quality of life and reduce poverty levels of the population of Kenya through provision of Water and Sanitation Services on a sustainable basis. |
| Current Situation that the Project was formed to Intervene | The Project aims to Improve the Low Water and Sanitation Coverage where the Water and Sanitation needs are not being addressed by any other Development Partners (DPs) in Kerugoya, Kutus, Chuka, Chogoria, Meru, Mandera, Marsabit, Isiolo, Garissa, Murang'a and Othaya. |
| Project Duration | The Project started on 29 September 2017 and is expected to end on 31 December 2021 |

1.4 Bankers

Kenya Commercial Bank
Nyeri Branch
P.O Box 215-10100
Nyeri, KENYA

1.5 Auditors

Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 3008
GPO 00100
Nairobi, Kenya

TANA WATER WORKS DEVELOPMENT AGENCY
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1.6 Roles and Responsibilities

| Names | Title Designation | Key Qualification | Responsibilities |
|------------------------|----------------------------|----------------------|--|
| Eng. Moses M. Naivasha | Chief Executive Officer | Engineer | Project Manager/ Accounting Officer |
| Eng. John Mbogori | Technical Services Manager | Engineer | Technical Services Manager |
| Arthur Mamo | Project Co-ordinator | Engineer | Programme Coordinator |
| CPA Nicholas Kanyeke | Head of Finance | Financial Specialist | Financial Management |

1.7 Funding Summary

The Kenya Towns Sustainable Water Supply and Sanitation Programme is for a duration of 5 years from 29 September 2017 to 31 December 2021 with an approved budget of USD 107,631,872 equivalent to Kshs 10,998,156,567 to implement project under the Tana Cluster which comprises of two Water Works Agencies; Tana and Northern Water Works Development Agencies. The following projects are being implemented in Tana Water Works Development Agency (TWWDA) area of jurisdiction: Kerugoya/Kutus Water and Sewerage Infrastructure, Chuka/Chogoria Water and Sewerage Infrastructure, Meru Sewerage Infrastructure, Murang'a Urban, Murang'a South Water and Sewerage and Othaya Last mile connectivity.

Tana Water Works Development Agency (TWWDA) in conjunction with Northern Water Works Development Agency (NWWDA) is implementing the following Projects in NWWDA area of jurisdiction; Manderu Water and Sewerage Infrastructure, Marsabit Water and Sewerage Infrastructure, Garissa Town Water Supply and Isiolo Town Water Supply last mile connectivity.

The loan amount of Kshs.10, 998,156,567 is shared between the two Agencies as follows:

- (i) Tana Water Works Development Agency - KES. 5,689,093,088
- (ii) Northern Water Works Development Agency -KES. 5,309,063,479

Below is the funding summary:

| Source of Funds | Donor Commitment | | Amount received to date (30 June 2019) | | Undrawn balance to date (30 June 2019) | |
|---------------------------|--------------------|---------------|--|-------------|--|---------------|
| | Donor currency USD | Kshs | Donor currency USD | Kshs | Donor currency USD | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i)Loan | | | | | | |
| Africa Development Bank* | 55,675,511 | 5,689,093,088 | 2,201,748 | 223,091,678 | 53,473,763 | 5,466,001,410 |
| Africa Development Bank** | 51,956,361 | 5,309,063,479 | 6,661,486 | 675,299,052 | 45,294,875 | 4,633,764,427 |

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| Source of Funds | Donor Commitment | | Amount received to date (30 June 2019) | | Undrawn balance to date (30 Jun 2019) | |
|------------------------------|---------------------------|-----------------------|--|----------------------|---------------------------------------|----------------------|
| | <i>Donor currency USD</i> | <i>Kshs</i> | <i>Donor currency USD</i> | <i>Kshs</i> | <i>Donor currency USD</i> | <i>Kshs</i> |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (ii)Counterpart Funds | | | | | | |
| Government of Kenya*** | - | 1,723,829,051 | - | 139,873,884 | - | 1,583,955,16 |
| Total | 107,631,872 | 12,721,985,618 | 8,863,234 | 1,038,264,614 | 98,768,638 | 11,683,721,00 |

*Loan for Tana Water Works Development Agency

**Loan for Northern Water Works Development Agency

***GoK Counterpart

Computation (Amount in Millions)

Total Program Amount = ADB Loan UA 271.721
ADF Loan UA 5.135
GoK UA 43.388
UA 320.244

=GoK Counterpart ratio: GoK/Total program Cost
= 43.388/320.244=13.55%

=Kes $\frac{10,998,156,567 * 13.55\%}{86.45\%}$ =KES **1,723,829,051**

1.8 Summary of Overall Project Performance:

• Budget Performance

The ADB budget for the Programme during the FY 2018/2019 was KES. 3,500,000,000. The allocated amount in the printed estimates was KES 730,000,000. In the supplementary budget it was adjusted upward to KES 1,825,000,000. However this amount was reflected as a Loan Revenue instead of AIA therefore making it difficult/impossible to utilize. The request for disbursement submitted to Ministry of Water and Sanitation for payment amounted to KES 1,747,815,831 out of which KES 707,494,626 was disbursed by ADB.

• Physical Progress

The Consultants and Contractors were procured and the payments made relate to consultancy services, advance payment to contractors and payment of works for Isiolo Town Water and Sewerage

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TANA WATER WORKS DEVELOPMENT AGENCY
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project- Last Mile Connectivity.

The bulk of works are at mobilisation stage, hence the performance and impact of the project cannot be evaluated at this stage.

- **Value for Money Achievement**

The amount paid to consultants is based on milestones, while for contractors, it is based on works certified or advance payment. The Advance payment is recoverable in the succeeding certified works hence there is value for money.

- **Absorption Rate**

Kenya Towns Sustainable Water Supply and Sanitation Programme commenced in the FY 2017/2018. The Project absorption rate is at 8.2% of the total project cost. This is calculated as actual expenditure divided by total project cost.

$$= \frac{1,038,264,614}{12,721,985,618} = 8.2\%$$

However, the programme is at 10% completion.

Implementation Challenges

- (i) Challenges in acquisition of project land and way leave due to inadequate allocation of GoK Counterpart fund.
- (ii) Delays in disbursements of GoK Counterpart allocated funds.
- (iii) Challenges in acquiring land easement from Nyayo Tea Zone, Kenya Forest Services and Kenya Wildlife Services.
- (iv) Delay in approval of tax exemption master list by The National Treasury & Planning.
- (v) Misallocation of ADB funds meant to be under AIA to Loan Revenue.

Recommended Way Forward

- (i) The way forward is for The National Treasury & Planning to ensure sufficient budgetary allocation.
- (ii) The Ministry of Water and Sanitation ensures funds are disbursed in time in order to surmount the above challenges.
- (iii) Intervention by Ministry of Water and Sanitation with relevant authority to acquire land easement.

1.9 Summary of Project Compliance

- During the FY 2018/2019 the Project complied with all applicable Laws and Regulations, and essential external Financing Agreements/Covenants to allow us to carry on with the Project Implementation.
- No consequence was /is likely to be suffered on account of non-compliance.

TANA WATER WORKS DEVELOPMENT AGENCY
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2. STATEMENT OF PROGRAMME MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer, Tana Water Works Development Agency and the Project Coordinator for ADB funded 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 ended on June 30, 2019. 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.
- vi. Making accounting estimates that are reasonable in the circumstances.

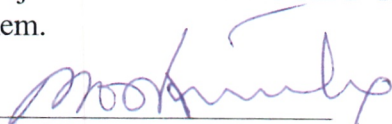
The Chief Executive Officer, Tana Water Works Development Agency and the Project Coordinator for ADB funded Project accept responsibility for the Project's Financial Statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate Accounting Policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer, Tana Water Works Development Agency and the Project Coordinator for ADB funded 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 ended June 30, 2019, and of the Project's financial position as at that date. The Chief Executive Officer, Tana Water Works Development Agency and the Project Coordinator for ADB funded 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.

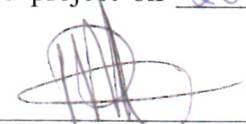
The Chief Executive Officer, Tana Water Works Development Agency and the Project Coordinator for ADB funded Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the Financial Year/Period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

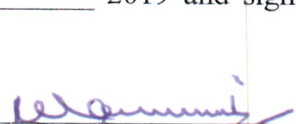
The Project Financial Statements were approved by the Chief Executive Officer, TWWDA and the Project Coordinator for ADB funded project on 26th July 2019 and signed by them.



Chief Executive Officer
Name: Eng. Moses M. Naiyasha



Project Coordinator
Name: Arthur Mamo

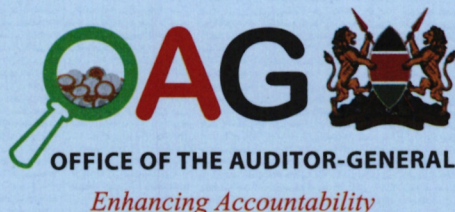


Project Accountant
Name: CPA Nicholas Kariuki
ICPAK Member Number: 6863



REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM FOR THE YEAR ENDED 30 JUNE, 2019 – TANA WATER WORKS DEVELOPMENT AGENCY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Towns Sustainable Water Supply and Sanitation Program set out on pages 1 to 13, which comprise the statement of financial assets and liabilities as at 30 June, 2019, and the statement of receipts and payments, statement of cash flows and statement of comparative budget and actual amounts for the year ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015 and Article VIII, Section 8.02 of the loan agreement No.2000200000501 dated 9 January, 2017 between the Republic of Kenya and the African Development Bank (ADB). I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Towns Sustainable Water Supply and Sanitation Program as at 30 June, 2019, 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 Loan Agreement.

Basis for Opinion

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

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 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 matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delayed Project Implementation

During the year under review, Kenya Towns Sustainable Water Supply and Sanitation Program's approved expenditure budget was Kshs.1,925,000,000. However, the project incurred actual expenditure of Kshs.782,494,626 or 40.6% of the budget for implementation of various projects under the Tana and Northern Water Works Development Agencies. Although contract agreements for the implementation of the projects were signed in 2018 and early 2019, a status review of the construction of eight water and sewerage infrastructures as at 30 October, 2019 revealed that the projects were between nine and twelve months behind schedule.

Although management attributes the delay in the projects implementation to failure to obtain approval of the tax exemptions from the National Treasury and inadequate GOK counterpart fund allocation, the delay may lead to cost overruns.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether 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 African Development Bank, I confirm that:

- i. The Program funds have been used in accordance with the conditions of Loan Agreement with due attention to economy, efficiency and effectiveness for the purposes for which they were provided;
- ii. Counterpart funds have been provided and used in accordance with the conditions of the Loan Agreement;
- iii. Goods and services financed have been procured in accordance with the Loan Agreement and the Funds' rules and procedures;
- iv. Adequate internal control to monitor expenditure and other financial transactions and ensure safe custody of assets exists; and
- v. Necessary supporting documents, records and accounts have been kept in respect of all activities of the Program.

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 Kenya Towns Sustainable Water Supply and Sanitation Program's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Program or to cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with

relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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 going concern 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 ability of Kenya Towns Sustainable Water Supply and Sanitation Program 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 Program to cease sustaining 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 Kenya Towns Sustainable Water Supply and Sanitation Program to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

09 September, 2020

Report of the Auditor-General on Kenya Towns Sustainable Water Supply and Sanitation Program for the year ended 30 June, 2019 – Tana Water Works Development Agency

TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30 JUNE 2019

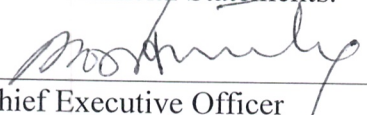
| | Note | 2018/19 | | 2017/18 | | Cumulative to date |
|---|-------|---|----------------------|--|----------------------|----------------------|
| | | Receipts and Payments controlled by TWWDA | Payments made by ADB | Receipts and Payment controlled by TWWDA | Payments made by ADB | |
| | | KShs | KShs | KShs | KShs | KShs |
| RECEIPTS | | | | | | |
| Transfers from Government Entities | 8.3 | 75,000,000 | - | 64,873,884 | - | 139,873,884 |
| Loan from External Development Partners | 8.4a | - | 107,915,889 | - | 115,175,789 | 223,091,678 |
| Loan from External Development Partners | 8.4b | - | 599,578,737 | - | 75,720,315 | 675,299,052 |
| TOTAL RECEIPTS | | 75,000,000 | 707,494,626 | 64,873,884 | 190,896,104 | 1,038,264,614 |
| PAYMENTS | | | | | | |
| Purchase of Services | 8.5a | - | 7,888,000 | - | 115,175,789 | 123,063,789 |
| Purchase of Services | 8.5b | - | 47,555,285 | - | 75,720,315 | 123,275,600 |
| Acquisition of Non-Financial Assets | 8.6 a | 25,549,895 | 100,027,889 | 25,017,458 | - | 150,595,242 |
| Acquisition of Non-Financial Assets | 8.6b | - | 552,023,452 | - | - | 552,023,452 |
| Project Administrative Costs | 8.7 | 35,897,155 | - | 39,856,426 | - | 75,753,581 |
| TOTAL PAYMENTS | | 61,447,050 | 707,494,626 | 64,873,884 | 190,896,104 | 1,024,711,664 |
| SURPLUS/(DEFICIT) | | 13,552,950 | - | - | - | 13,552,950 |

Notes

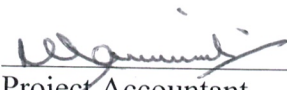
8.4a, 8.5a & 8.6a Relates to Tana Water Works Development Agency

8.4b, 8.5b & 8.6b Relates to Northern Water Works Development Agency

The Accounting Policies and explanatory notes to these Financial Statements are an integral part of the Financial Statements.


 Chief Executive Officer


 Project Coordinator


 Project Accountant

Name: Eng. Moses M. Naivasha

Name: Arthur Mamo

Name: CPA Nicholas Kariuki
 ICPAK Member Number: 6863

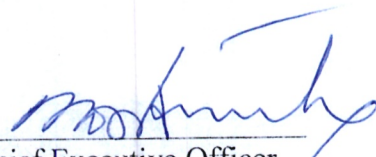
TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019


5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30 JUNE 2019

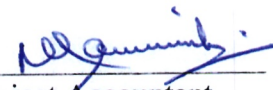
| | Note | 2018/19 | 2017/18 |
|--|-------|-------------------|----------|
| | | KShs | KShs |
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 8.8 B | 13,552,950 | - |
| Total Cash and Cash Equivalents | | 13,552,950 | - |
| TOTAL FINANCIAL ASSETS | | 13,552,950 | - |
| REPRESENTED BY | | | |
| Surplus for the Year | | 13,552,950 | - |
| NET FINANCIAL POSITION | | 13,552,950 | - |

The Accounting Policies and Explanatory Notes to these Financial Statements form an Integral part of the Financial Statements.

The Entity's Financial Statements were approved on 26th July 2019 and signed by:


 Chief Executive Officer
 Name: Eng. Moses M. Naivasha


 Project Coordinator
 Name: Arthur Mamo


 Project Accountant
 Name: CPA Nicholas Kariuki
 ICPAK Member No: 6863

26/07/2019
 Date

26/07/2019
 Date

26/07/2019
 Date

TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
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REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

6. STATEMENT OF CASHFLOW FOR THE PERIOD 30 JUNE 2019

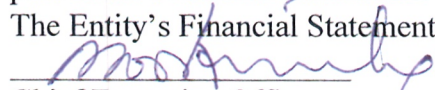
| | Note | 2018/19 KShs | 2017/18 KShs |
|--|------|----------------------|----------------------|
| Receipts for Operating Activities | | | |
| Transfer from Government Entities | 8.3 | 75,000,000 | 64,873,884 |
| Payments for Operating Activities | | 0 | |
| Purchase of Services | 8.5a | (7,888,000) | (115,175,789) |
| Purchase of Services | 8.5b | (47,555,285) | (75,720,315) |
| Acquisition of Non- Financial Asset | 8.6a | (100,027,889) | - |
| Acquisition of Non- Financial Asset | 8.6b | (552,023,452) | - |
| Project Administrative Costs | 8.7 | (35,897,155) | (39,856,426) |
| Net Cash Flow from Operating Activities | | (668,391,781) | (165,878,646) |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 8.6 | (25,549,895) | (25,017,458) |
| Net Cash Flows from Investing Activities | | (25,549,895) | (25,017,458) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | 8.4a | 107,915,889 | 115,175,789 |
| Proceeds from Foreign Borrowings | 8.4b | 599,578,737 | 75,720,315 |
| Net Cash Flow from Financing Activities | | 707,494,626 | 190,896,104 |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | - | - |
| Cash and Cash Equivalent at Beginning of the Year | | - | - |
| Cash and Cash Equivalent at End of the Year* | | 13,552,950 | - |

* Reconciliation of Cash and Cash Equivalent at End of the year

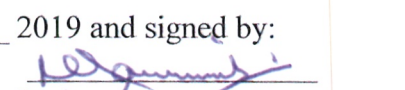
| | |
|-------------------------|------------|
| Receipt from Government | 75,000,000 |
| Payments | 61,447,050 |
| Suplus | 13,552,950 |
| | |

The Accounting Policies and Explanatory Notes to these Financial Statements form an Integral part of the Financial Statements.

The Entity's Financial Statements were approved on 26th July 2019 and signed by:


 Chief Executive Officer
 Name: Eng. Moses M. Naivasha


 Project Coordinator
 Name: Arthur Mamo


 Project Accountant
 Name: CPA Nicholas Kariuki
 ICPAK Member No: 6863

26/07/2019
 Date

26/07/2019
 Date

26/07/2019
 Date



TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

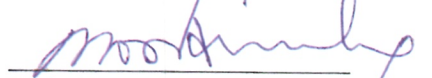
| Receipts/Payments Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Variance | % of Variance |
|--|----------------------|------------------------|----------------------|----------------------------|----------------------|---------------|
| | A | B | c=a+b | D | e=c-d | f=e/c % |
| Receipts | | | | | | |
| Transfer from Government Entities | 650,000,000 | (550,000,000) | 100,000,000 | 75,000,000 | 25,000,000 | 25% |
| Proceeds from Borrowings* | 1,673,327,580 | (800,807,112) | 872,520,468 | 107,915,889 | 764,604,579 | 88% |
| Proceeds from Borrowings** | 1,826,672,420 | (874,192,888) | 952,479,532 | 599,578,737 | 352,900,795 | 37% |
| Total Receipts | 4,150,000,000 | (2,225,000,000) | 1,925,000,000 | 782,494,626 | 1,156,058,324 | |
| Payments | | | | | | |
| Purchase of Services* | 28,000,000 | - | 28,000,000 | 7,888,000 | 20,112,000 | 72% |
| Purchase of Services** | 48,000,000 | - | 48,000,000 | 47,555,285 | 444,715 | 1% |
| Acquisition of Non- Financial Assets* | 1,645,327,580 | (800,807,112) | 844,520,468 | 100,027,889 | 744,492,579 | 88% |
| Acquisition of Non- Financial Assets** | 1,778,672,420 | (874,192,888) | 904,479,532 | 552,023,452 | 352,456,080 | 39% |
| Project Counterpart Expenditure | ***650,000,000 | (550,000,000) | 100,000,000 | 75,000,000 | 25,000,000 | 25% |
| Total Payments | 4,150,000,000 | (2,225,000,000) | 1,925,000,000 | 782,494,626 | 1,156,058,324 | |


* Relates to Tana Water Works Development Agency


** Relates to Northern Water Works Development Agency

*** The proposed budget of KES 650M was for acquiring land, land easement, wayleaves and crop.

Note: The budget utilisation/performance differences in the last column are explained in Annex 1 to these Financial Statements.


 Chief Executive Officer
 Name: Eng. Moses M. Naivasha


 Project Coordinator
 Name: Arthur Mamo


 Project Accountant
 Name: CPA Nicholas Kariuki
 ICPAK Member No: 6863

26/07/2019
 Date

26/07/2019
 Date

26/07/2019
 Date



TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
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REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

8.0 NOTES TO THE FINANCIAL STATEMENTS

The Principal Accounting Policies adopted in the preparation of these Financial Statements are set out below:

8.1. Basis of Preparation

8.1.1. 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.

8.1.2. Reporting Entity

The Financial Statements are for the Kenya Towns Sustainable Water Supply and Sanitation Programme under The National Government of Kenya.

8.1.3. Reporting Currency

The Financial Statements are presented in Kenya Shillings (KES), which is the functional and reporting currency of the Programme and all values are rounded to the nearest Kenya Shilling.

8.2. Significant Accounting Policies

a) Recognition of Receipts

The Programme recognises all Receipts from African Development Bank (ADB) when the event occurs and the related cash has actually been received by the Contractor/ Consultant.

• Transfers From the Exchequer

Transfer from Exchequer is being 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 Tana Water Works Development Agency.

• External Assistance

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



TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 2000200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proceeds from borrowing

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

Undrawn external assistance

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

b) Recognition of Payments

The Project recognises all payments by ADB when the event occurs and the related cash has actually been paid out by African Development Bank (ADB).

- **Compensation of Employees**

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

- **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are consumed and actual cash paid for them.

- **Interest on Borrowing**

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

TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 2000200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2019

SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Repayment of Borrowing (Principal amount)**

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

• **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 TWWDA and a summary provided for purposes of consolidation.

c) In-kind Donations

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

d) 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the Financial Year.

TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
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REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts Receivable

For the purposes of these Financial Statements, imprests and advances to authorized 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 Authority to Incur Expenditure holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the Financial Statements.

f) 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 are 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.

g) Budget

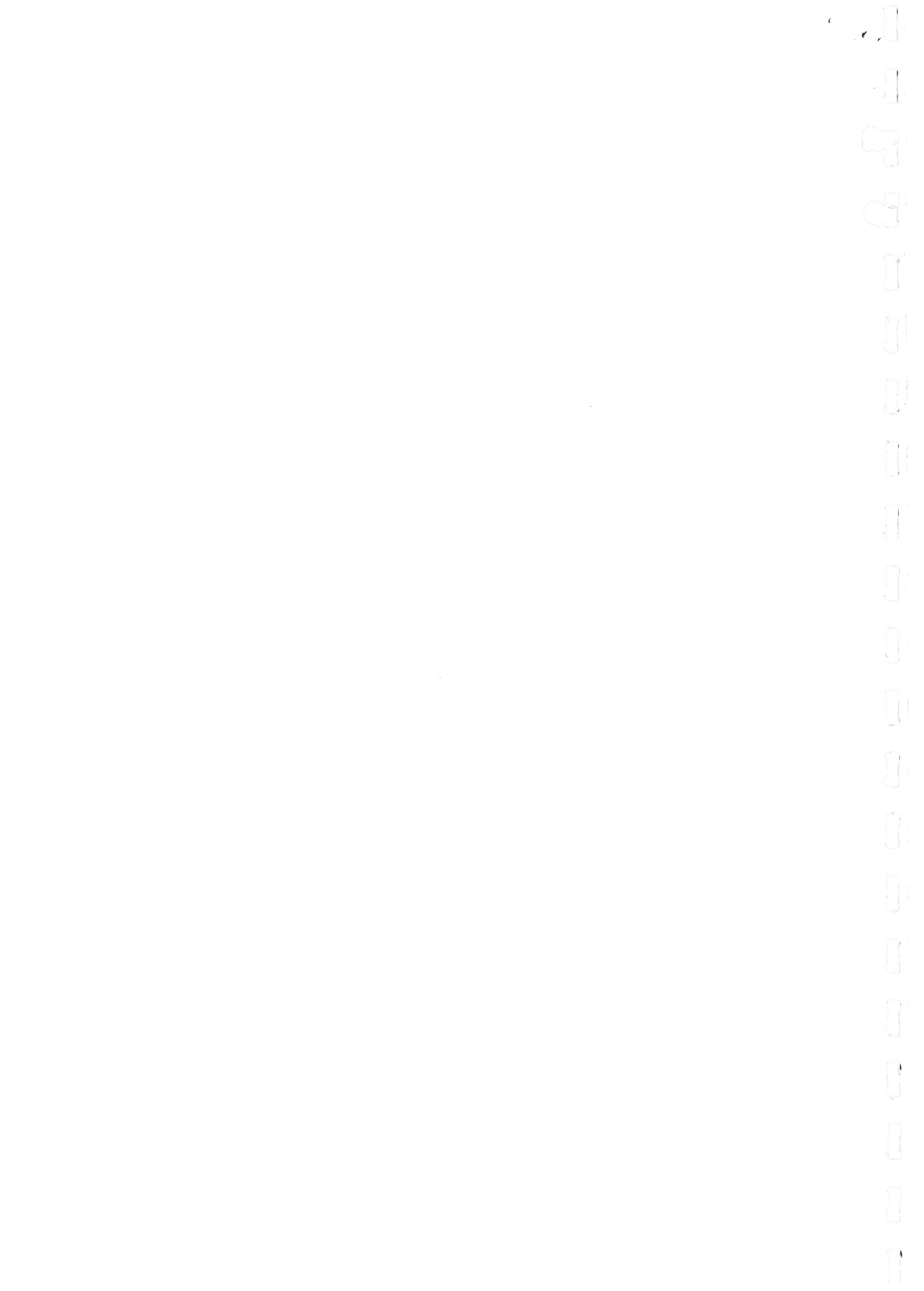
The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial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

h) Third Party Payments

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

During the year Kshs 1,746,601,086 being loan disbursements was received in form of direct payments from ADB out of which Kshs 816,362,696 was direct payment for Tana Water Works Development Agency request for payments and Kshs 930,238,390 direct payment for Northern Water Works Development Agency.



TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange Rate Differences

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

j) 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.

k) 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, 2019.

l) 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.



TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

8.3 RECEIPTS FROM GOVERNMENT OF KENYA

These represent Counterpart Funding from Government as follows:

| | 2018/19 | 2017/18 | Cumulative |
|---|--------------------------|--------------------------|---------------------------|
| | KShs | KShs | to-date |
| <i>Counterpart Funding through Ministry of Water and Sanitation</i> | | | |
| Counterpart funds Quarter 1 | 25,000,000 | 6,898,350 | 31,898,350 |
| Counterpart funds Quarter 2 | 25,000,000 | 13,927,835 | 38,927,835 |
| Counterpart funds Quarter 3 | 25,000,000 | 4,181,653 | 29,181,653 |
| Counterpart funds Quarter 4 | - | 39,866,046 | 39,866,046 |
| Total | <u>75,000,000</u> | <u>64,873,884</u> | <u>139,873,884</u> |

8.4(a) & (b) LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2019 we received funding from ADB in form of loans negotiated by The National Treasury and Donors as detailed in the table below:

| Name of Donor | Date received | Amount received in currency USD | Loans received in cash | Loans received as direct payment | Total amount in Kshs | |
|-----------------------------------|---------------|---------------------------------|------------------------|----------------------------------|---------------------------|---------------------------|
| | | | | | FY 2018/19 | FY 2017/18 |
| | | | Kshs | Kshs | Kshs | Kshs |
| Loans Received from Donors | | | | | | |
| Africa Development Bank* | | 1,067,753 | - | 107,915,889 | 107,915,889 | 115,175,789 |
| Africa Development Bank** | | 5,923,051 | - | 599,578,737 | 599,578,737 | 75,720,315 |
| Total | | <u>6,990,804</u> | | <u>707,494,626</u> | <u>707,494,626</u> | <u>190,896,104</u> |

* Relates to Tana Water Works Development Agency

** Relates to Northern Water Works Development Agency



TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8.5 (a) & (b) PURCHASE OF GOODS AND SERVICES

| | FY 2018/19 | | | FY 2017/18 | Cumulative to-date |
|------------------------------------|-----------------------------------|--------------------------|--------------------------|---------------------------|---------------------------|
| | Payments made by the TWSB in Cash | Payments made by ADB | Total Payments | | |
| | KShs | KShs | KShs | KShs | KShs |
| Utilities, Supplies and Services* | - | 7,888,000 | 7,888,000 | 115,175,789 | 123,063,789 |
| Utilities, Supplies and Services** | - | 47,555,285 | 47,555,285 | 75,720,315 | 123,275,600 |
| Total | = | <u>55,443,285</u> | <u>55,443,285</u> | <u>190,896,104</u> | <u>246,339,389</u> |

* Relates to Tana Water Works Development Agency

** Relates to Northern Water Works Development Agency

8.6 (a) & (b) ACQUISITION OF NON-FINANCIAL ASSETS

| | FY 2018/19 | | | FY 2017/18 | Cumulative to-date |
|------------------------------|-------------------------------|---------------------------|---------------------------|--------------------------|---------------------------|
| | Payments made by TWSB in Cash | Payments made by ADB | Total Payments | | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Acquisition of Land* | 25,549,895 | - | 25,549,895 | 25,017,458 | 50,567,353 |
| Advance Payments for Works* | - | 100,027,889 | 100,027,889 | - | 100,027,889 |
| Advance Payments for Works** | - | 552,023,452 | 552,023,452 | - | 552,023,452 |
| Total | <u>25,549,895</u> | <u>652,051,341</u> | <u>677,601,236</u> | <u>25,017,458</u> | <u>702,618,694</u> |

* Relates to Tana Water Works Development Agency

** Relates to Northern Water Works Development Agency

TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019

8.7 OTHER GRANTS AND TRANSFERS AND PAYMENTS

| | FY 2018/19 | | | FY 2017/18 | Cumulative to-date |
|------------------------------|-------------------------------|----------------------|--------------------------|--------------------------|--------------------------|
| | Payments made by TWSB in Cash | Payments made by ADB | Total Payments | | |
| | KShs | KShs | KShs | KShs | KShs |
| Project Administrative Costs | 35,897,155 | - | 35,897,155 | 39,856,426 | 75,753,581 |
| Total | <u>35,897,155</u> | | <u>35,897,155</u> | <u>39,856,426</u> | <u>75,753,581</u> |

8.8 BANK ACCOUNTS

A. Special Deposit Accounts

The Programme has no Special Deposit Account (SDA)

B. Cash equivalents

| | 2018/19 | 2017/18 |
|---|--------------------------|-----------------|
| | KShs | KShs |
| Kenya Commercial Bank [A/C No 1101-998-733] | 13,552,950 | - |
| Total | <u>13,552,950</u> | <u>=</u> |

8.9 OUTSTANDING IMPRESTS AND ADVANCES

No Imprest was outstanding as at 30th June 2019.

9.0 OTHER IMPORTANT DISCLOSURES

9.1 PENDING ACCOUNTS PAYABLE –APPENDIX 1

| | 2018/19 | 2017/18 |
|--|-----------------------------|-----------------|
| | KShs | KShs |
| Construction of Civil Works- Advance Payments* | 1,020,411,630 | - |
| Supply of Services- Consultancy** | 19,909,575 | - |
| Total | <u>1,040,321,205</u> | <u>-</u> |

| | TWWDA | NWWDA | TOTAL |
|---------------|---------------------------|---------------------------|-----------------------------|
| Works* | 688,537,232 | 331,874,398 | 1,020,411,630 |
| Consultancy** | 19,909,575 | - | 19,909,575 |
| Total | <u>708,446,807</u> | <u>331,874,398</u> | <u>1,040,321,205</u> |



**TANA WATER WORKS DEVELOPMENT AGENCY
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION
PROGRAM
LOAN NUMBER: 200200000501
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2019**

**10. PROGRESS ON FOLLOW UP OF THE OFFICE OF THE AUDITOR
GENERAL RECOMMENDATIONS**

The following is the summary of an issue raised by the Office of the Auditor General, and management comment that were provided to the auditor. We have nominated focal persons to resolve the issue as shown below with the associated time frame within which we expect the issue to be resolved.

| Reference No on the external audit report | Issue/Observations from Auditor | Management comments | Focal point person to resolve the issue | Status | Time frame |
|--|---|--|--|---|----------------------------|
| 1 | Failure to Register Parcel of Land LR No. 1785 and 1786 | Land transfer consent for parcels of land LR No. 1785 and 1786 was granted on 23 rd May 2018 from Miriga Mieru East Land Control Board and the process of registering the parcels of land is at an advance stage. | Eng M. M. Naivasha - Chief Executive Officer | Payment of stamp duty has been made to facilitate the transfer process. | Before 30th September 2019 |



KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
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REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30 2018

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| | Final Budget | Actual on Comparable Basis | Budget Utilisation Variance | % of Utilisation Variance to Final Budget | Comments on Variance |
|--|----------------------|-----------------------------------|------------------------------------|--|---|
| | A | B | c=a-b | d=c/a % | |
| RECEIPTS DURING THE YEAR/PERIOD | | | | | |
| Government of Kenya | 100,000,000 | 75,000,000 | 25,000,000 | 25% | The -ve variance of KES 25,000,000 is as a result of delay in disbursement of Counterpart funds by the Ministry of Water and Sanitation. As at close of FY 2018/2019 only KES 75 M had been disbursed out of which KES 25M was disbursed on 27th June 2019. |
| External financing | 1,825,000,000 | 707,494,626 | 1,117,505,374 | 61.2% | The variance of KES 1,117,505,374 is as result of Payments submitted by TWWDA to the Ministry of Water, Sanitation for onward transmission to The National Treasury and ADB which remained transit during the reporting period. |
| Total Receipts | 1,925,000,000 | 782,494,626 | 1,142,505,374 | | |
| PAYMENTS DURING THE YEAR/PERIOD | | | | | |
| Purchase of Services* | 28,000,000 | 7,888,000 | 20,112,000 | 72% | The variance was as a result of delay in stating off construction works hence the consultants could not achieve works supervisory milestone |
| Purchase of Services** | 48,000,000 | 47,555,285 | 444,715 | 1% | |
| Acquisition of Non-Financial* Assets | 844,520,468 | 100,027,889 | 744,492,579 | 88% | The variance of KES 744,492,579 is as result of Payments submitted by TWWDA to the Ministry of Water, Sanitation for onward transmission to The National Treasury and ADB which remained transit during the reporting period. |
| Acquisition of Non-Financial Assets** | 904,479,532 | 552,023,452 | 352,456,080 | 39% | The variance of KES 352,456,080 is as result of Payments submitted by TWWDA to the Ministry of Water, Sanitation for onward transmission to The National Treasury and ADB which remained transit during the reporting period. |



| | Final Budget | Actual on Comparable Basis | Budget Utilisation Variance | % of Utilisation Variance to Final Budget | Comments on Variance |
|---------------------------------|----------------------|-----------------------------------|------------------------------------|--|--|
| Project Counterpart Expenditure | 100,000,000 | 75,000,000 | 25,000,000 | 25% | The -ve variance of KES 25,000,000 is as a result of delay in disbursement of Counterpart funds by the Parent Ministry. As at close of FY 2018/2019 only KES 75 M had been disbursed out of which KES 25M was disbursed on 27th June 2019. |
| Total Payments | 1,925,000,000 | 782,494,626 | 1,142,505,374 | | |

* Relates to Tana Water Works Development Agency

** Relates to Northern Water Works Development Agency

