

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

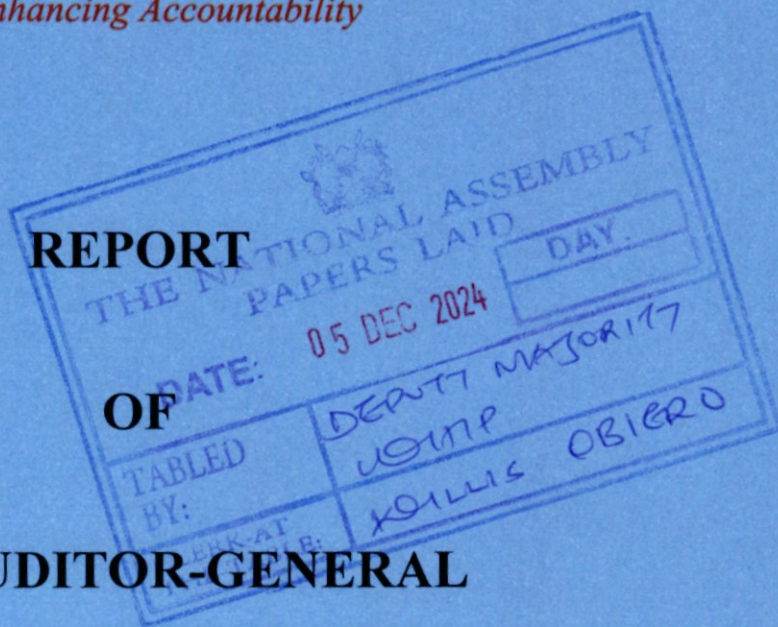
THE AUDITOR-GENERAL

ON

**LAKE NAKURU BIODIVERSITY
CONSERVATION PROJECT GRANT NO.
201567916 AND LOAN No.2016 65 116 (KFW -
GERMAN FINANCIAL COOPERATION)**

**FOR THE YEAR ENDED
30 JUNE, 2024**

**CENTRAL RIFT VALLEY WATER
WORKS DEVELOPMENT AGENCY**





PROJECT NAME: LAKE NAKURU BIODIVERSITY CONSERVATION PROJECT
IMPLEMENTING ENTITY: CENTRAL RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY

PROJECT GRANT BMZ -NO.2015 67 916 and LOAN BMZ-No.2016 65 116

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 2024**

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

Lake Nakuru Biodiversity Conservation Project
Reports and Financial Statements
For the financial year ended June 30, 2024

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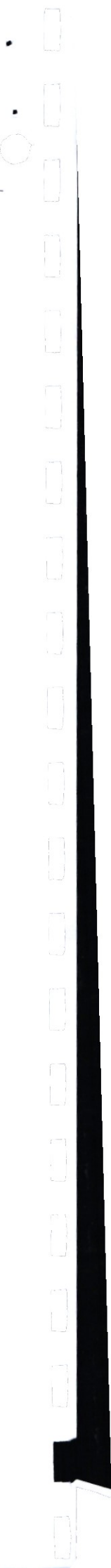


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1 Acronyms and Glossary of terms

LNBDCP	Lake Nakuru Biodiversity Conservation Project
AIE	Authority to Incur Expenditure
CEO	Chief Executive Officer
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountant
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kfw	Kreditanstalt für Wiederaufbau
MIC	Middle Income Countries
GOK	Government of Kenya
KFS	Kenya Forest Services
WRA	Water Resources Authority
NEMA	National Environment & Management Authority
KeRRA	Kenya Rural Roads Authority
KeNHA	Kenya National Highways Authority
EMCA	Environmental Management and Coordination Act 1999
OSHA	Occupational Safety and Health Act of 2007
ERP	Enterprise Resource Planning
RAP	Resettlement Action Plan

2 PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name And Registered Office

Name:

Project; Lake Nakuru Biodiversity Conservation Project.

Objective: The project focuses on improving wastewater management and, to a lesser extent, water supply in the town of Nakuru. The primary objective is to contribute to the protection of biodiversity in Lake Nakuru National Park. Additionally, the project aims to promote the sustainable and equitable use of clean water and basic sanitation facilities for the local population while protecting water resources.

Address: Central Rift Valley Water Works Development Agency
Maji Plaza Prisons Road, Off Nakuru-Eldama Ravine Highway
P. O. Box 2451-20100
Nakuru.
Telephone: (254) 725999000
E-mail: info@crvwwda.go.ke
Website: www.crvwwda.go.ke

2.2 Project Information

Project Feasibility Start Date:	17/10/2016
Project Feasibility End Date	09/07/2020
Project Design Start Date	23/11/2021
Project End Date:	30/06/2027
Project Revised Date	23/12/2027
Project Manager:	Eng. Alice Nyawira Kimaru
Project Sponsor:	German Financial cooperation (KFW).

2.3 Project Overview

Ministry	The project is under the supervision of the Ministry of Water, Sanitation and Irrigation.
Project number	Grant NO. 2015 67 916 and Loan No. 2016 65 116
The activities from financial contribution	<p>The following project activities shall be financed from the financial contribution:</p> <ul style="list-style-type: none"> • Rehabilitation and expansion of sewer network in Nakuru town including construction of new connections, • Repair of leakages and partly rehabilitation of water supply network in southern zone of Nakuru town, • Consulting services for construction planning and construction supervision, • Institutional strengthening support to NAWASSCO
Objectives of the project	<p>Conservation of biodiversity of the Lake Nakuru National Park through:</p> <ul style="list-style-type: none"> • Improve waste water treatment system • Rehabilitate and extension of waste water conveyance system.
Activities financed from the loan	<p>The following project activities shall be financed from the loan:</p> <ul style="list-style-type: none"> • Rehabilitation , expansion and upgrading of the sewerage treatment plant, “Njoro”. • Conservation of the sewerage treatment plant “Town” into a wastewater transfer station and conveyance to Njoro sewerage treatment plant, • Rehabilitation and expansion of sewer network in Nakuru Town including construction of new connections
Planned achievements of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>(i) Improved waste water management and conveyance systems.</p> <p>(ii) Improved supply of water through creation of new connections</p> <p>(iii)improved supply by expansion into the informal settlements</p> <p>(iv)improved management of non-revenue water</p> <p>(v)Capacity Development of:-</p> <ul style="list-style-type: none"> • Training key staff of the Water Service Provider (NAWASSCO) • The sector regulator for improved service efficiency and • Women and youth for increased employment opportunities.
Other important background information	<p>The project is divided into two components namely:</p> <p>1. Works: Water Supply infrastructure (including expansion into the</p>

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of the project	informal settlements) Construction and rehabilitation of sewerage infrastructure in Nakuru town. 2. Goods & Services: <ul style="list-style-type: none"> • Goods: Purchase of Vehicles, Exhausters, Non-revenue water equipment, Enterprise Resource planning, water testing laboratories and equipment. • Services: Study, Design review and supervision of works consultancy.
Current situation that the project was formed to intervene	The project was formed to intervene in Nakuru town.
Project duration	The project started on 30 December 2019 and was expected to end by 30 June 2027. This date has been revised to 23 December 2027

2.4 Bankers

KCB Bank,
 Main Branch, Kenyatta Avenue Nakuru,
 Account No: 1101792388
 P.O BOX 18-20100
 Nakuru

2.5 Auditors

Auditor General
 Office of the Auditor General
 P. O. Box 30084 -00100
 Nairobi.

2.6 Roles and Responsibilities

Names	Title/designation	Key Qualifications	Responsibilities
CPA, Douglas Murei	Ag: Chief Executive Officer	MSc. Project Planning & Management, Bachelor of Commerce, CPA (K)	Accounting Officer (Chief Executive Officer)
Eng. Joseph Salee	Project Coordinator	Bachelor of Science in Civil Engineering, Post Graduate Diploma in Computer Science.	Project Coordinator
Eng. Alice Nyawira	Project Engineer	BSc. Degree in Civil and Structural Engineering. Registered Graduate Engineer.	Project Engineer
Eng. Philip Kimeli	Environmental Engineer	MSc Science & Climate Change BSc. in soil water& Environmental Engineering.	Environmentalist
Eng. Lucy Mburu	Engineer	Bachelor of Technology in Civil Engineering, Diploma in Water Engineering.	Project Engineer
William Sakuda	Procurement Manager	Master's in Business Administration, BSC Mathematic and Diploma in Procurement.	Procurement Expert
Lilian G. Saboke	Accountant	ICPAK Registered Accountant.	Project Accountant

2.7 Funding summary

The Projects duration is for eight years from 2019 to 2027 with an approved budget of EUR 50.6 million equivalent to Ksh 6.325 billion EUR 1= Ksh 125.

A Source of Funds:

Source of Funds	Donor Commitment		Amount Received to Date-30/06/2024		Undrawn Balance to Date 30/06/2024	
	Donor Currency (Euros)	Kshs(Exchange Rate per Euro (Ksh.125))	Donor Currency (Euros)	Kshs Exchange Rate per Euro (Ksh.125)	Donor Currency (Euros)	Kshs
	(A)	(A)	(B)	(B)	(A')-(B')	(A')-(B')
KFW Loan	29,000,000	3,625,000,000	692,030	86,503,804	28,307,970	3,538,496,196
KFW Grant	14,000,000	1,750,000,000	1,155,942	144,492,750	12,844,058	1,605,507,250
Sub Total	43,000,000	5,375,000,000	1,847,972	230,996,554	41,152,028	5,144,003,446
Counterpart funds						
Government of Kenya	7.600,000	950,000,000	1,580,000	197,500,000	6,020,000	752,500,000
Total	50,600,000	6,325,000,000	3,427,972	428,496,554	7,152,579	5,896,503,446

B Application of Funds

Application of funds	Amount received to date – (30 th June 2024)		Cumulative Amount paid to date – (30 th June 2024)		Unutilised balance to date (30th June 2024)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(A)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
KFW	692,030	86,503,804	692,030	86,503,804	-	-
					-	-
(ii) Grant						
KFW	1,155,942	144,492,750	1,155,942	144,492,750	-	-
					-	-
(iii) Counterpart funds						
Government of Kenya	1,580,000	197,500,000	241,124	30,294,879	1,338,876	167,205,121
Total	3,427,972	428,496,554	2,089,096	261,291,451	1,338,876	167,205,121

2.8 Summary of Overall Project Performance:

i. Budget performance against actual amounts for current year and cumulative to-date.

The KFW Project Budget was Kshs 3,625,000,000 under Loan allocation, Ksh, 1,750,000,000 under Grant allocation. The GoK counterpart fund amount of Kshs 950,000,000.

The amount disbursed against budget is Ksh 86,503,804 on the loan component, Ksh 144,492,750 on account of grants and Ksh 197,500,000 for Gok counterpart funds to date.

During the under review, the budget was as follows; loan Ksh 654,00,000 against receipts of Ksh 7,484,754, grants Ksh 346,000,000 with no receipts and GoK counterpart budget of Ksh 40,000,000 against receipts of Ksh 35,000,000 with an expenditure of Kshs 18,398,447.

An amount of Ksh 10million relating to FY 2023/24 was received in the month of July 2024.

ii. Physical progress based on outputs, outcomes and impacts since program commencement.

The program was split into three phases according to deliverables;

- a) Phase I for Consultancy
- b) Phase II for Construction and
- c) Phase III for Defects Notification Period

The table below represents phase I for Consultancy and preparation stage and it indicates an approximate progress of 95% implementation.

Phase I Consultancy

Deliverables	Status
Inception Report	approved
Scoping Report	approved
Report on Legal Framework and Stakeholder Engagement	approved
Special Report "Summary of Selected Water Supply Measures"	approved
Special Report "Summary of Selected Sewage Disposal Measures"	approved
Special Report "Woodland Irrigation"	approved
Environmental and Social Impact Assessment Report (ESIA)	approved
Resettlement Action Plan (RAP)	approved
Report on Preliminary Institutional Assessment	approved
Interim Final Design Report Water Supply	approved
Interim Final Design Report Wastewater	approved
Final Design Report Water Supply	approved
Final Design Report Wastewater	approved
Environmental and Social Management Plan (ESMP)	approved
Prequalification Documents Lot 1	approved
Tender Documents Lot 1	Submitted
Tender Documents Lot 2 and 3	Preparation stage
Tender Evaluation Report	Not commenced

iii. Absorption rate since commencement of project

The absorption rates for the project since inception are as shown below;

F/Y	RECEIPTS	COMMITMENTS	RATE %
	a	b	(a/b)%
		6,325,000,000	
2023/2024	42,484,754		0.67
2022/2023	104,019,050	-	1.64
2021/2022	37,500,000	-	0.59
2020/2021	16,236,625	-	0.26
2019/2020	53,524,750	-	0.85
2018/2019	96,774,250	-	1.53
2017/2018	77,957,125	-	1.23
Total	428,496,554	6,325,000,000	8.01

iv. Implementation challenges.

- a) The project has been facing a delay in submission of deliverables. This resulted in a delay in receiving the no objection from the Financier (KfW Development Bank) for procuring contractors to construct the investment measures.

Recommendations & way forward

- a) The Agency held a management meeting with the Financier (KfW Development Bank) and the Consultant. The meeting resulted in an agreement on the following deliverable timelines to allow the construction works to start in Q1/Q2
- Tender Documents for Lot 1: 30th August 2024
 - Tender Documents for Lot 2 and Lot 3: 13th September 2024

2.9 Summary of Project Compliance:

(i) Significant cases of non-compliance with applicable laws and regulations and essential external financing agreements/covenants

The project has continually to adhered to the applicable laws and regulations including the environmental and social safeguards. The project have had ESIA studies undertaken and NEMA licenses issued on time prior to project implementation. and has adhered to essential external financing agreement.

(ii) Consequences suffered on account of non-compliance or likely to be suffered.

There are no consequences suffered so far, as the project is at procurement stage, however, in an event of a significant non-compliance case, the financing institution will stop specific project disbursement. leading to delayed project implementation. Failure to adhere to applicable laws and regulations such as NEMA, NCA, WRA can also lead to temporary closure of project and cases of claims by contractors leading increased cost implications.

(iii) Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

The Agency has in place mitigation measures to alleviate the adverse/potential effects of non-compliance, these includes quarterly monitoring and reporting of the environmental and social management frameworks. This shall be jointly done by the project parties these are the Employer (CRVWDA), NAWASSCO (WSP), the project consultant, the project contractor and both levels of Government Authorities, NEMA, WRA, Lake Nakuru National Park (LNNP)/ Kenya Wildlife Services (KWS), through this any non-compliance may easily be noted and addressed. Further, the project shall fully comply to the Kenyan Laws and KfW World Bank social safeguards operating standards and reporting done as per requirements.

3 STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the project's agreement/ plan are to:

Contribution to the protection of biodiversity of the Lake Nakuru National Park through:

- (i) Improvement of waste water treatment system
- (ii) Rehabilitation and extension of waste water conveyance system by
 - Rehabilitation and expansion of sewer network in Nakuru town including construction of new connections,
 - Repair of leakages and partly rehabilitation of water supply network in southern zone of Nakuru town,
 - Consulting services for construction planning and construction supervision,
 - Institutional strengthening support to NAWASSCO

Progress on attainment of Strategic development objectives

The main objective of the program is to improve water supply and waste water infrastructure as well as management of non-revenue water Nakuru city 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. The project will support water supply infrastructure and sanitation infrastructures in Nakuru town and its environs by providing more than 120,000 people in Baharini with twelve (12 no.) new boreholes and rehabilitation of Mereroni intake and construction of three (3 no.) transmission main and 10,000 m³. Optimization of existing boreholes. Construction of of njoro waste water treatment plant with reliable and sustainable water supply services with water-borne sewerage systems. In addition, the program will create more than 5,000 new jobs during and after construction.

There is no physical progress as the project has not commenced for construction. The procurement process is expected to commence in September, 2024.

4 ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The program has outlined a number of projects and activities to be implemented in all the projects under construction for the Lake Nakuru Biodiversity Conservation Project. Project implementation is underway and majority of the activities are yet to be rolled out.

1. Sustainability strategy and profile.

The Constitution of Kenya has declared access to Water Supply and Sanitation Services a human right which is to be achieved progressively. Under the Water Act, 2016, the Cabinet Secretary is expected to formulate and implement a National Water Services Strategy that will progressively lead to attainment of this right. The Agency has therefore aligned its development and operational agenda to the National Water Services Strategy and endeavours to mobilize adequate resources to implement its plan and achieve the national vision. The Agency has identified five key result areas to effectively realize its mandate. The five key result areas are:

1. Effective mobilization and prudent utilization of resource.
2. Development and Improvement of the water and sanitation infrastructure.
3. Management of the water and sanitation infrastructure developed.
4. Enhancement of institutional framework and capacity.
5. Customer and stakeholder management.

The Agency believes that pursuing impact in these five key result areas will enable achievement of sufficient and resilient infrastructure that will continually and sustainably support attainment of the universal access to improved water supply and sanitation services in its area of jurisdiction. This aspiration is aligned to the National initiatives under the Big Four Agenda which is attendant to the Vision 2030, the Sustainable Development Goal Number six of the United Nation and the Africa Unions Agenda 2064. We have done our best with considerable success in each of the key result areas and we remain committed to achieving the National Government's development goals by our short-term local interventions.

2 Environmental performance

The Environmental Management and Coordination Act 1999 (EMCA) and 2015 guides the Agency project/ program implementation. Through the Act, the public and the society are empowered through Public participation that in turn supports the project implementation leading

to its success. On the other hand, the EMCA Act makes reference to the Constitution of Kenya which empowers communities on project implementation which sometimes leads to project rejection and aversion i.e. Sewerage Projects. The Agency, working closely with other stakeholders promotes and sustain tree planting exercise which seeks to mitigate climate change and promote biodiversity. In its efforts to reduce environmental impacts, the Agency undertakes the Environmental Impact Assessment studies which outlines the possible impacts and propose mitigation measures which are implemented during project implementation which also include regular Environmental audits.

3 Employee welfare

The Agency has a Human Resources Policy and Procedures Manual which stipulates the guidelines on recruitment and selection and further requires that a third (1/3) gender rule is adhered to in the recruitment process. The Agency has in place career progression guidelines and reviews the staffing levels of the institution from time to time. On safety and compliance with Occupational Safety and Health Act of 2007, (OSHA), An approved Health and Safety Policy is in place and is well adhered to and has been availed to all staff. The employees are entitled for leave out, medical insurances, training on their professional growth.

4 Market place practices

a) Responsible supply chain and supplier relations

The Agency engages suppliers on sensitizations meetings to get their feedback on the provision of good, works and services. Pre-bid and site visit meetings are conducted to acquaint the suppliers with the minimum requirements. Successful bidders are engaged in a negotiation/pre-contract clarification meeting so as to be at par with the expectations of the Agency before contract execution. All this ensures an established good relationship between the Agency and the suppliers. Payment is made timely provided that all requirements are met. Suppliers are informed of the required documentations and processes and the contract implementation requirements before a payment request is raised. This ensures no delay in making for payment of goods supplied, works executed or services rendered.

b) Responsible ethical practices

The Agency ensures that laws relating to The Constitution of Kenya 2010, The Public Procurement and Asset Disposal Act 2015 And Public Procurement and Asset Disposal

Regulations 2020 are followed. The Agency strictly adopts the most preferred method of procurement-Open tendering. Players in the market are given chances and level ground to compete. Information on the available tender opportunities is relayed to the bidders through the Public Procurement Information Portals, The Agency's website and the national newspapers to ensure universal and free access to information. To enhance fair competition, evaluation is based on set criteria favorable to all bidders, where price takes precedence without prejudicing on quality. Vulnerable groups are given preference to ensure they are not edged out of market and are therefore given a favorable and conducive business environment. The Agency ensures that specifications development does not give undue influence or reference to a particular product or service in the market that will give a competitive advantage to a particular supplier

c) Regulatory impact assessment

The agency ensures openness in advertising for its available opportunities. Informing on such opportunities is relayed in the easiest, understandable language and conveyed in the easily available mode of communication. The information is consistent to all clients. Queries raised by a particular bidder in relation to a procurement proceeding is clarified and the clarification is sent to all bidders in that respect. In preparation of product specifications, the Agency ensures that the approved standards used are universal and cannot be tied to a particular item or product in the market. The Agency has a dedicated email service for queries in relation to procurement matters

5 Community Engagements

During the year under review, the Agency continued to implement its Corporate Social Responsibility program in line with its policy. This policy builds and support the execution of the Agency's mandate as part of integrating community concerns in the Agency's operation and interactions with their stakeholders and customers. carry out community and stakeholder engagements during project formulation and implementation so as to ensure sustainability is achieved in all the agency developed infrastructure.

5 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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 30th June, 2024. 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 Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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 of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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 30 June 2024, and of the Project's financial position as at that date. The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in

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the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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

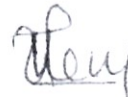
The Project financial statements were approved by the Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation Project on 20th September, 2024 and signed by them.



**CPA Douglas Murei
Chief Executive Officer**

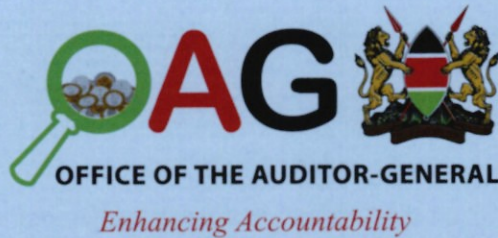


**Eng. Joseph Salee
Project Coordinator**



**CPA Grace J Bowen
Manager- Finance
ICPAK No 6480**

REPUBLIC OF KENYA



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

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

REPORT OF THE AUDITOR-GENERAL ON LAKE NAKURU BIODIVERSITY CONSERVATION PROJECT GRANT NO. 201567916 AND LOAN No.2016 65 116 (KFW - GERMAN FINANCIAL COOPERATION) FOR THE YEAR ENDED 30 JUNE, 2024 - CENTRAL RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

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

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

Report of the Auditor-General on Lake Nakuru Biodiversity Conservation Project KFW grant No. 201567916 and Loan No. 2016 65 116 for the year ended 30 June, 2024 - Central Rift Valley Water Works Development Agency

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Lake Nakuru Biodiversity Conservation Project set out on pages 1 to 17, which comprise of the statement of financial position, as at 30 June, 2024 and the statement of receipts and payments, statement of financial assets & liabilities, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for effect of the matters described in the Basis for Qualified section of my report, the financial statements present fairly, in all material respects, the financial position of Lake Nakuru Biodiversity Conservation Project as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Project Grant No. 201567916 And Loan No. 2016 65 116, dated 30 December June, 2019 between the German Financial Cooperation (KFW) and the Republic of Kenya.

In addition, the special accounts statement does not present fairly the special account transactions, and the closing balance has not been reconciled with the books of account.

Basis for Qualified Opinion

1. Unconfirmed Comparative Balances

The statement of receipts and payments reflects cumulative comparative receipts and payments amounting to Kshs.42,484,754 and Kshs.25,883,201 respectively. Additionally, the statement of financial assets and financial liabilities reflects comparative net financial assets balance of Kshs.167,205,121. Review of the financial statements including the preamble information section 2.2 and 2.7 in respect of project information and funding summary and application revealed that the project was stated in the year 2016 and funds receipts and applications of Kshs.428,496,554 and Kshs.261,291,451 respectively. However, no financial statements had been prepared and submitted for audit since inception until 2023/2024.

In the circumstance, the accuracy and completeness of the comparative balance in the financial statements could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial assets and financial liabilities reflects balance of Kshs.167,205,121 in respect of cash and cash equivalents and as disclosed in Note 11 to the financial statements. However, the cash and cash equivalent balances was not

supported by cash book, bank certificates and bank reconciliation statements. Further, the Notes in respect to the cash and cash equivalents did not include the bank name and account number as required by the approve template.

In the circumstances, the accuracy, completeness, existence of cash and cash equivalents balance of Kshs.167,205,121 could not be confirmed.

3. Inaccuracies in the Statement of Budgeted Versus Actual Amounts

The statement of budgeted versus actual amounts reflects final income budget and actual on a comparable basis of Kshs.1,040,000,000 and Kshs.25,883,201 resulting to underfunding of an amount of Kshs.668,117,999 respectively. The statement also reflects final expenditure budget and actual on a comparable basis of Kshs.1,040,000,000 and Kshs.25,883,201 resulting to under expenditure of an amount of Kshs.1,014,207,814 respectively. However, recasting the accuracy of the statement revealed underfunding and under expenditure of Kshs.1,014,116,799 respectively resulting to unexplained and unreconciled variance of Kshs.346,000,000 and Kshs.91,015 respectively. Further, the individual amounts of receipts and payments were at variance with the respective amounts in the statement of receipts and payments and Notes to the financial statements.

In the circumstances, the accuracy and completeness of the amounts in the statement of budgeted versus actual amounts could not be confirmed.

4. Payments not Related to the Projects

The statement of receipts and payments reflects purchase of goods and services figure of Kshs.18,398,447 and as disclosed in Note 6 to the financial statements. However, review of the payment vouchers in respect of utilities, supplies services, hospitality and travelling of Kshs.18,398,447, revealed that the payments were not related to the project but to the activities of the implementing Agency Central Rift Valley Water Works Agency which are budgeted for separately.

In the circumstances, the accuracy and completeness of the payments of utilities, supplies services, hospitality and travelling of an amount of Kshs.18,398,447 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAI's). I am independent of the Lake Nakuru Biodiversity Conservation Project Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.1,040,000,000 and Kshs.25,883,201

Report of the Auditor-General on Lake Nakuru Biodiversity Conservation Project Grant No. 201567916 and Loan No. 2016 65 116 (AFDB Loan No.2000200000501) for the year ended 30 June, 2024 - Central Rift Valley Water Works Development Agency

resulting to an under-funding of re-computed amount of Kshs.1,014,116,799 or 98% of the budget.

Further, the statement does not include the itemized budget for the various expenditure codes under purchase of goods and services to enable proper budgetary controls. Therefore, the comparison between the budgeted and actual expenditure codes could not be determined.

The underfunding affected the planned activities of the Project and may have negatively affected service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report 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 and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Design and Implementation of the Project

The statement of receipts and payments reflects consultancy service of an amount of Kshs.7,484,754 in respect of the preparation of detailed design and tender documents, assistance to PEA in tendering process and contracting, construction, supervision and management of the lake Nakuru biodiversity conservation project. However, review of the contract and the loan agreement documents revealed the following;

- (i) The detailed designs, tender for contract of works and construction phase are behind schedule as detailed in annex 2 to the loan agreement putting the project implementation behind schedule.
- (ii) The procurement process for the identification of the contractor is still on-going and behind schedule.

- (iii) The first repayment of the loan is due 15 May 2026. As per the time schedule in the annex 2 of the contract document, the repayment of the first installment will be due when defect liability period is ending. The Government of Kenya will be repaying the loan when the construction phase will be still ongoing with the current state of procurement process still ongoing.

Failure to implement projects as planned may have negatively impacted on delivery of goods and services to the residents of Kenya.

2. Lack of a Project Designated Bank Account

The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs.167,205,121. However, the project does not maintain a designated bank account and its activities funded by GOK are undertaken through the implementing Agency (Central Rift Valley Water Works Development Agency) bank account. This is contrary to clause 1.2(j) and (h) of the subsidiary loan agreement between the government of Kenya and the agency which provides that a local and foreign currency bank accounts shall be opened for the purpose of receiving the portion of loan from the government and development partners.

In the circumstances, the project Management was in breach of the law and further it was not possible to confirm the bank balance of Kshs.167,205,121.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 ISSAIs 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by German Financial Cooperation (KFW) dated 30 December, 2019 between German Financial Cooperation (KFW) and the Republic of Kenya, 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 agree with the accounting records and returns.

Responsibilities of the Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue 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 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is

not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 November, 2024

7 STATEMENTS OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2024

	Notes	2023/2024			2022/2023			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	TOTAL	Receipts and payment controlled by the entity	Payments made by third parties	TOTAL	
		Kshs	Kshs		Kshs	Kshs	Kshs	Kshs.
RECEIPTS								
Transfer from Government entities	1	35,000,000	-	35,000,000	25,000,000	-	25,000,000	197,500,000
Grant from external development partners	2	-	-	-	-	-	-	144,492,750
Loan from external development partners	3		7,484,754	7,484,754		79,019,050	79,019,050	86,503,804
Miscellaneous receipts	4	-	-	-	-	-	-	-
Prior year adjustment	15			-			-	
TOTAL RECEIPTS		35,000,000	7,484,754	42,484,754	25,000,000	79,019,050	104,019,050	428,496,554
PAYMENTS				-				
Compensation of employees	6	-	-	-	-	-	-	-
Purchase of goods and services	5	18,398,447	-	18,398,447	9,552,673	-	9,552,673	30,294,879
Social security benefits	8		-	-	-	-	-	-
Consultancy services	2	-	-	-	-	-	-	144,492,750
Consultancy services	3	-	7,484,754	7,484,754	-	79,019,050	79,019,050	86,503,804
Transfers to other	11	-	-	-	-	-	-	-

	Notes	2023/2024			2022/2023			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	TOTAL	Receipts and payment controlled by the entity	Payments made by third parties	TOTAL	
government entities								
Other grants and transfers and payments	12	-	-	-	-	-	-	-
Prior year adjustment	13		-	-				-
Total Payments		18,398,447	7,484,754	25,883,201	9,552,673	79,019,050	88,571,723	261,291,433
Surplus/(Deficit)		16,601,553	-	16,601,553	15,447,327	-	15,447,327	167,205,121

The accounting policies and explanatory notes to these Financial Statements are an integral part of the Financial Statements.



CPA. Douglas Murei
 Chief Executive Officer



Eng. Joseph Salee
 Project Coordinator




CPA Grace J Bowen
 Manager-Finance
 ICPAK No 6480

*Kenya Towns Sustainable Water Supply and Sanitation Program
Statement of Budget Performance
For the year ended June 30, 2022*


8 STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE, 2024

	Note	2023-2024	2022-2023
		Kshs	Kshs
Financial Assets			
Cash and Cash Equivalents	11	167,205,121	150,603,568
Imprest & Advances	12	-	-
Total Financial Assets (A)		167,205,121	150,603,568
		-	-
Financial Liabilities			
Third party deposits and retention	13	-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		167,205,121	150,603,568
Represented By			
Fund balance b/fwd.		150,603,568	135,156,241
Prior year adjustments	15	-	-
Surplus/(Deficit) for the year		16,601,553	15,447,327
Net Financial Position		167,205,121	150,603,568

The accounting policies and explanatory notes to these Financial Statements form an integral part of the Financial Statements. The Financial Statements were approved on 20th September 2024 and signed by:


CPA. Douglas Murei
Chief Executive Officer


Eng Joseph M Salee
Project Coordinator


CPA Grace J Bowen
Manager-Finance
ICPAK No 6480

9 STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2024

		2023-2024	2022-2023
	Note	Kshs	Kshs
Receipts for operating activities			
Transfer from Government entities	1	35,000,000	25,000,000
Proceeds from domestic and foreign grants	2	-	-
Proceeds from domestic and foreign loans	3	-	-
Miscellaneous receipts	4	-	-
Total Receipts		35,000,000	25,000,000
Payments for operating activities			
Compensation of employees	6		
Purchase of goods and services	7	(18,398,447)	(9,552,673)
Social security benefits	8		-
Transfers to other government entities	10	-	-
Consultancy Services	11	(7,484,754)	(79,019,050)
Total Payments	3	(25,883,201)	(88,571,723)
Net cash flow from operating activities		9,116,799	(63,571,723)
Cashflow from Investing Activities			
Acquisition of Assets	9	-	-
Adjustment during the year	15	-	-
Net cash flows from Investing Activities		-	-
Cashflow from Borrowing Activities			
Loan from external development partners	4	7,484,754	79,019,050
Net cash flow from financing activities		7,484,754	79,019,050
Net Increase in Cash and Cash Equivalent		16,601,553	15,447,327
Cash and cash equivalent at BEGINNING of the year	10	150,603,568	135,156,241
Cash and cash equivalent at end of the year		167,205,121	150,603,568

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 20th September 2024 and signed by



CPA. Douglas Murei
Chief Executive Officer



Eng. Joseph Salee
Project Coordinator




CPA Grace J Bowen
Manager-Finance


ICPAK No 6480

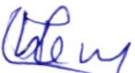
Kenya Towns Sustainable Water Supply and Sanitation Program
Statement of Budget Performance
For the year ended June 30, 2022

10 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	%
	a	b	c=a+b	d	e=c-d	f=d/c
Receipts						
Transfer from Government entities	40,000,000	0	40,000,000	18,398,447	21,601,553	46.00
Proceeds from domestic and foreign grants	346,000,000	-	346,000,000	-	0	0
Loan from external development partners	654,000,000	0	654,000,000	7,484,754	646,515,246	1.14
Prior year adjustment	-	-	0	0	0	
Total Receipts	1,040,000,000	0	1,040,000,000	25,883,201	668,116,799	2.49
Payments						
Compensation of employees	-	-	-	-	-	-
Purchase of goods and services	40,000,000	0	40,000,000	18,398,447	21,601,553	46.00
Social security benefits	-	-	0	-	-	-
Acquisition of non-financial assets	346,000,000	0	346,000,000	7,484,754	392,606,261	2.16
Transfers to other government entities	-	-	0	-	-	-
Other grants and transfers	654,000,000	-	654,000,000	-	600,000,000	-
Prior year adjustment	-	-	0	0	0	0
Total Payments	1,040,000,000	0	1,040,000,000	25,883,201	1,014,207,814	2.49


CPA Douglas Murei
Chief Executive Officer


Eng. Joseph Salee
Project Coordinator


CPA Grace J Bowen
Manager-Finance

11 SIGNIFICANT ACCOUNTING POLICIES

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

a) 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 imprest 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.

b) Reporting entity

The financial statements are prepared by Central Rift Valley Water Works Development Agency under Ministry of Water & Sanitation and Irrigation for the Lake Nakuru Biodiversity Conservation Project. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

c) 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.

d) Recognition of receipts

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

e) Transfers from the Exchequer

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

f) External Assistance

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

g)

Donations and grants

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

h)

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.

i)

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

j) **Other receipts**

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

k) **Recognition of payments**

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

l) **Compensation of employees**

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

m) **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.

n) **Interest on borrowing**

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

o) 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.

p) 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.

q) In-kind donations

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

r) 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.

s) Restriction on cash

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

t) Imprest and Advances

For the purposes of these financial statements, imprest 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 AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

u)

Contingent Liabilities

A contingent liability is;

-A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

-A present obligation that arises from past events but is not recognized because;

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

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

The entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. An Annex of this financial statement is a register of possible contingent liabilities in the year

v) Contingent Assets

The entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity in the notes to the financial statements. Contingent assets

are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the assets value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

w) 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.

x) 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 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/period under review has been included in an annex to these financial statements.

y) 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 party's column in the statement of receipts and payments.

z) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, (Kenya Shillings). Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rate agreed on

/prevailing at the date of the transaction. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year -end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of receipts and payments.

aa) 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.

bb) 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, 2024**.

cc) Prior period Adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). explanations and details of this prior period adjustments are presented in form of notes.

12 NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

1 Transfer from Government of Kenya

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

	2023/2024	2022/23	Balance b/f from various financial years	Cumulative to-date (from inception)
	Kshs	Kshs		
Counterpart funds				
GoK Quarter 1	25,000,000	25,000,000	137,500,000	197,500,000.00
GoK Quarter 2	0	-	-	0
GoK Quarter 3	10,000,000	-	-	-
GoK Quarter 4	0	-	-	0
Total	35,000,000	25,000,000	137,500,000	197,500,000.00

2 Proceeds from Domestic and Foreign Grants

During the 12 months to 30th June 2024, we received zero grants from external financiers in form of Direct Payments.

Name of Donor	Date received	Amount received in donor currency	Grants received direct payment	Grants received as direct payment*	Grants received direct payment	Total amount
			2023/2024	2022/2023	2020/21	
			Kshs	Kshs	Kshs	Kshs
Grants Received from KFW						
KFW Bank	30/06/2024	-	-	0	144,492,750	144,492,750
Total		-	-	0	-	144,492,750

3 Loan from External Development Partners

During the 12 months to 30th June ,2024 we received **EURO.59,878.03** funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Description		2023/2024				
Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received direct payment*	Total amount in Kshs	
		EURO	Kshs	Kshs	Kshs	Kshs
				FY 2023/2024	FY 2022/2023	Cumulative todate
Loans Received from KfW						
KfW	29/12/2023	59,878.03	-	7,484,754	79,019,050	86,503,804
Total		59,878.03	-	7,484,754	79,019,050	86,503,804

4 Miscellaneous Receipts

During the 12 months to 30th June 2024, there were no miscellaneous receipts

5 Compensation of Employees

There was no employees compensation during the year.

6 Purchase of Goods and Services

	2023-2024			2022-2023	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies services, Hospitality and Travelling	18,398,447	-	9,552,673	2,343,759	30,294,879
Total	18,398,447	0	9,552,673	2,343,759	30,294,879

7 Social Security Benefits

During the 12 months to 30th June 2024, there were no social security benefits

8 Acquisition of Non-Financial Assets

	2023/2024			2022/2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy Services	0	7,484,754	7,484,754	79,019,050	230,996,554
		0	0	0	0
Total	0	7,484,754	7,484,754	79,019,050	230,996,554

9 Transfers to other Government Entities

During the 12 months to 30th June 2024, there were no transfers of funds to reporting government entities

10 Other Grants and Transfers and Payments

During the 12 months to 30th June 2024, there were no other grants and transfers and payments

11 Cash and Cash Equivalents Carried Forward

	2023/2024	2022/2023
	Kshs	Kshs
Bank accounts	167,205,121	150,603,568
Cash in hand	0	0
Cash equivalents	0	0
Total	167,205,121	150,603,568

11A. Bank Accounts

Project Bank Accounts

The project has no special account.

11B. Cash in Hand

There were no Cash in hand as at the close of the period

12 Imprests and Advances

There was no imprest and advances during the year

13 Third party Deposits and Retention

There was no deposits and retentions during the year.

14 Fund balance Brought forward

The project has no bank account

15 Prior Year Adjustments

There was no prior year adjustment

16 Changes in accounts Receivable (imprest and advances)

There was no imprest and advances during the year.

17 changes in accounts payable (deposits and retentions

There was no account spayable during the year.

Other Important Disclosures

18 Pending Accounts Payable

	Balance b/f FY 2022/2023	Additions for the period 2023/2024	Paid during the year	Balance c/f FY 2024/2025
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	0	0	0	0
Construction of civil works	0	0	0	0
Supply of goods	0	0	0	0
Supply of services	7,484,754	32,309,220	7,484,754	32,309,220
Total	7,484,754	32,309,220	7,484,754	32,309,220

19 Pending Staff Payables

There was no staff payables during the year

20 Other pending payables (see annex 4c)

There was no other pending payables

21 External assistances

a)

Description	2023/2024	2022/2023	Cumulative from previous years
External Assistance received as grants	-		144,492,750
External Assistance received as Loan	7,484,754	79,019,050	-
Total	7,484,754	79,019,050	144,492,750

b) Undrawn External assistance

Description	purpose for which the undrawn external assistance may be used	2023/2024	2022/2023
Undrawn External Assistance received as Loan	Payment for use of goods and civil works	3,538,496,196	3,545,980,950
undrawn External Assistance received as grants	Payment for use of goods services	1,605,507,250	1,605,507,250
Total		5,144,003,446	5,151,488,200

c) Classes of providers of external assistance

There are no classified providers to the external assistance

d) Non- monetary External assistance

There was no non-monetary external assistance

e) purpose of external assistance

There was no external assistance

f) External assistance paid by third parties on behalf of the entity by source.

There are no external assistance paid directly by third parties to settle any obligations on behalf of the entity.

22 Payments by third parties on behalf of the project

There are no payments made by third parties on behalf of the entity.

S/No	Supplier of Goods & Services	Consultancy services	TOTALS 2023/24	TOTALS 2022/23
1	COWI A/S			
2	COWI A/S	Hydrological investigations	4,437,342.50	4,437,342.50
3	COWI A/S	Topographical investigations	3,047,411.25	3,047,411.25
4	COWI A/S	Topographical investigations		
5	COWI A/S	Geotechnical investigation		
6	COWI A/S		7,484,753.75	7,484,753.75

13 Annexes

Annex 1 – Prior Year Auditor-General’s Recommendations

The financial statements are being prepared for the first time.

Kenya Towns Sustainable Water Supply and Sanitation Program
Statement of Budget Performance
For the year ended June 30, 2022

Annex 2 Variance Explanations - Comparative Budget and Actual Amounts for FY 2023/2024

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Of Utilization	Comments on Variance
Receipts	a	b	c=a-b	d=b/a %	
Transfer from Government entities	40,000,000	18,398,447	21,601,553	46.00	Implementation yet to start
Proceeds from domestic and foreign grants	346,000,000	-	346,000,000	-	Implementation yet to start.
Loan from external development partners	654,000,000	7,484,754	646,515,246	1.14	Implementation yet to start
Prior year adjustment	0	0	0		
Total Receipts	1,040,000,000	25,883,201	1,014,116,799	2.49	
Payments				-	
Compensation of employees	-	-	-	-	
Purchase of goods and services	40,000,000	18,398,447	21,601,553	46.00	Implementation yet to start
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	346,000,000	7,484,754	338,515,246	2.16	Implementation yet to start
Transfers to other government entities	-	-	-	-	
Other grants and transfers	654,000,000	-	654,000,000	-	Implementation yet to start
Prior year adjustments		-	-		
Total payments	1,040,000,000	25,883,201	1,014,116,799	2.49	

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Annex 3 Reconciliation of inter Entity transfer

	Bank statement date	Amount	FY amount relates to
	Kshs	Kshs	
Counterpart funds			
Qrt 1 (of 2023/2024)	3-Jul-2023	25,000,000	2022/2023
Qrt 3	28-Feb-2024	10,000,000	2023/2024
Total		35,000,000	



Eng. Joseph Salee
Project Coordinator



CPA Grace J Bowen
Manager-Finance

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Annex 4a Analysis of Pending Bills

Supplier of Goods & Services	Consultancy services	date	Opening Balances 2022/23	Additions Amount 2023/24 Ksh	Amount paid to date	outstanding Balance (current FY)	IPC NO.
COWI A/S				a	b	c=a-b	
COWI A/S	Hydrological investigations		4,437,342.50	-	4,437,342.50	-	1B
COWI A/S	Topographical investigations		3,047,411.25	-	3,047,411.25	-	1C
COWI A/S	Topographical investigations	22/03/2024		185,583.75	-	185,583.75	1D
COWI A/S	Geotechnical investigation	22/03/2024		1,789,761.25	-	1,789,761.25	1E
COWI A/S		22/03/2024		30,333,875.00	-	30,333,875.00	1F
				32,309,220.00	7,484,753.75	32,309,220.00	

*Kenya Towns Sustainable Water Supply and Sanitation Program
Statement of Budget Performance
For the year ended June 30, 2022*

Annex 4b: Analysis of Pending: Staff Bills

There were no pending bills for employees during the year.

Annex 4c: Analysis of Other Pending Payables

There was no other pending payables during the year.

Annex 5: Summary of Fixed Assets Register

There were no fixed assets recorded

Annex 6: Contingent Liabilities Register

There are no contingent liabilities during the year.

Annex 7: Reporting of Climate Relevant Expenditures

There was no expenditure related to climate relevant during the year.