

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

**NAIROBI RIVERS BASIN REHABILITATION
AND RESTORATION PROGRAM: SEWERAGE
IMPROVEMENT PROJECT PHASE II (AfDB
LOAN NO. 2000200003407 AND ADF LOAN
NO. 2100150040550)**

**FOR THE YEAR ENDED
30 JUNE, 2023**

**ATHI WATER WORKS DEVELOPMENT
AGENCY**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 MAR 2024

DAY: *Thurs*

*Hon Naomi Waco, MP
Deputy Majority Whip
A. Shubuko*

PARLIAMENT
OF KENYA
LIBRARY



PROJECT NAME:
NAIROBI RIVERS BASIN REHABILITATION AND RESTORATION PROGRAM: SEWERAGE IMPROVEMENT PROJECT
PHASE II
AfDB LOAN NO. 2000200003407 AND
AfDB LOAN NO. 2100150040550

Implementing Entity:
Athi Water Works Development Agency

PROJECT CREDIT NUMBER:P-KE-EB0-010

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

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

Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)

Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

<u>ACRONYMS</u>	<u>DEFINITION</u>
ADF	African Development Fund
ADB	African Development Bank
Gok	Government of Kenya
RAP	Resettlement Action Plan
DESTP	Dandora Estate Sewage Treatment Plant
AWWDA	Athi Water Works Development Agency
NCWSC	Nairobi City Water and Sewerage Company
SDA	Special Deposit Account
NCBA	National Commercial Bank of Africa
NaRSIP	Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project
IEK	Institution of Engineers of Kenya
CPA	Certified Public Accountants
MBA	Master of Business Administration
CBD	Central Business district
STW	Sewer treatment works
FY	Financial Year
ICT	Information and communications technology
OS	Operating safeguards
OP	Operating Policies
IPSAS	International Public Sector Accounting Standards
PSASB	Public Sector Accounting Standards Board
PFM	Public Financial Management
MDA	Ministries, Departments and Agencies.
IFMIS	Integrated financial management information systems
MSc	Master of Sciences
BSc	Bachelor of Science

2. Project Information and Overall Performance

2.1 Name and registered office

Name: The project's official name is: Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010).

Objective: The objective of the Nairobi Rivers Rehabilitation and Restoration Program: Sewerage Improvement Project phase II is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.

Address: The project's implementing Agency's headquarters offices are in Nairobi (City), Nairobi County, Kenya.

The address of its registered office is:

Athi Water Works Development Agency
P.O. Box 45283-00100 GPO
Athi Water Plaza
Muthaiga North Road
NAIROBI.

Contacts: The following are the project contacts

Telephone: (254) 0202724292/3

E-mail: info@awwda.go.ke

Website: www.awwda.go.ke

2.2 Project Information

Project Start Date:	The project start date is November 2018
Project End Date:	The project end date is February 2023
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsor is the African Development Fund (ADF) and African Development Bank (ADB)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water, Sanitation and Irrigation
Project number	P-KE-EB0-010
Strategic goals of the project	The strategic goals of the project is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> • Sanitation Infrastructure • Institutional Development Support • Project Management

<p>Other important background information of the project</p>	<p>The proposed project supports sanitation infrastructure investments including institutional capacity development funded through a combination of an ADB loan and GoK counterpart contribution. The funding instrument for the proposed intervention is sector investment and the project investments are to be complemented by AFD through parallel financing amounting to EUR 20 million (USD 24.645 million). AFD support focuses on reticulation sewers including last mile connections.</p> <p>The total cost of the Bank supported project components is estimated at EUR 70.841 million, net of taxes and duties. Of this, EUR 51.806 million or 73.1% is in foreign currency and EUR 19.035 million is in local currency. The GoK counterpart - funding requirement for the project is 11.2% for implementation of RAP and land acquisition, payment of taxes and any other operational costs that will be incurred during project implementation</p>
<p>Current situation that the project was formed to intervene</p>	<ul style="list-style-type: none"> • Construct approximately 440 km of sewer reticulation network including last mile connections with a view to provide sewer connection to approximately 1,000,000 people. • 40,000 people will benefit from 100 new and rehabilitated ablution blocks • Rehabilitation and upgrade Dandora Estate Sewage Treatment Plant (DESTP) will significantly improve effluent discharge from the largest wastewater treatment plant in Nairobi. • As part of the effort to deliver inclusive sanitation service, faecal sludge discharge points will be constructed within the sewerage network and 100 ablution blocks will be constructed in informal • AWWDA and NCWSC will benefit from capacity development support to strengthen the institution for the better planning, operational and management of sanitation services.
<p>Project duration</p>	<p>The project started on November 2018 and is expected to run until December 2024</p>

2.4 Bankers

The donor funding is partially direct payment and project account payment. The project account being used is for Narsip I held at NCBA bank. Gok funds received are transferred to the project account to pay for taxes and other implementation costs. NCBA Bank details are as follows;

NCBA Bank Kenya Plc
 NIC House Branch
NAIROBI

2.5 Auditors

The project is audited by the:
 Auditor General,
 Office of the Auditor General,
 Anniversary Towers, University Way,
 P.O. Box 30084-00100,
NAIROBI

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Michael M.Thuita, MBS	Chief Executive Officer	Bsc. Civil Engineering, IEK	Accounting Officer

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Eng. Joseph Kamau	Chief Manager, Water and Sanitation Services	Bsc. Civil Engineering, IEK	Project Manager
Eng. James Muturi	Manager-Sewer & Sanitation Infrastructure Development	Msc. Civil Engineering, Bsc. Civil Engineering	Project Coordinator
Keziah Adhiambo	Principal Environmental officer	Msc Environmental studies	Project environmentalist
Loise Kamau	Manager-Environment and Safeguards	BA Social studies	Project sociologist
Dr. Christine Mawia Julius	Manager-Finance and Accounts	Doctorate, MBA, CPA-K	Project accountant
Ann Gacheri	Principal Procurement Officer	MBA	Project procurement officer

2.7 Funding summary

The project duration is for six years from November 2018 to December 2024 with an approved budget of donor financing totalling to Euro 70,841,000.00 broken down into: comprised of ADB loan (Euro 59,407,000.00) equivalent to Kshs 6,942,658,462.00, ADF loan (Euro 3,507,000.00) equivalent to Kshs 409,849,062.00, and GOK counterpart of Euro 7,927,000.00 equivalent to Kshs 926,396,782.00.

The table below gives the funding summary of the project

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date		Undrawn balance to date	
			6/30/2023		6/30/2023	
	Donor currency(Euro)	KShs	Donor currency Euro	KShs	Donor currency Euro	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Grant						
(ii) Loan						
African Development Fund (ADF)	3,507,000	409,849,062	246,018	174,658,737	3,260,982	235,190,325
African Development Bank (ADB)	59,407,000	6,942,658,462	20,952,255	2,805,844,297	38,454,745	4,136,814,165
Total	62,914,000	7,352,507,524	21,198,273	2,980,503,034	41,715,727	4,372,004,490
(iii) Counterpart funds						
Government of Kenya	7,927,000	926,396,782	2,959,792	396,363,774	4,967,208	530,033,008
Interest from bank deposit	-	-	17,751	2,377,171	-	-
Total	7,927,000	926,396,782	2,977,543	398,740,945	4,967,208	530,033,008
Grand Total	70,841,000	8,278,904,306	24,175,816	3,379,243,980	46,682,935	4,902,037,498

B. Application of funds

Application of funds	Amount received to date		Cumulative Amount paid to date		Unutilized balance to date	
	6/30/2023		6/30/2023		6/30/2023	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						

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(i) Loan						
African Development Fund (ADF)	1,304,240	174,658,737	1,205,775	161,472,658	98,465	13,186,079
African Development Bank (ADB)	20,952,255	2,805,844,297	20,952,255	2,805,844,297	-	-
Total	22,256,495	2,980,503,034	22,158,030	2,967,316,955	98,465	13,186,079
(ii) Counterpart funds					-	-
Government of Kenya	2,959,792	396,363,774	2,917,402	390,687,080	42,390	5,676,694
Interest from Bank Deposit	17,751	2,377,171	5,585	747,946	12,166	1,629,225
Total	2,977,543	398,740,945	2,922,987	391,435,026	54,556	7,305,919
Grand Total	25,234,038	3,379,243,980	25,081,017	3,358,751,982	153,021	20,491,998

2.8 Summary of Overall Project Performance:

Works

Contracts under AWWDA			
Project Name	Project Scope	Progress to date	Challenges
Construction Of Kahawa West, Githurai 44 & 45 And Kahawa Sukari Reticulation Sewers	<p>Scope Construction of Precast Concrete and uPVC Reticulation Sewers of approximate total length of 190km within the Project Area covering Kahawa West, Githurai 44 & 45, Kahawa Sukari, Membley, Ruiru CBD, Mugutha / Murera and areas along the Eastern Bypass Road (Diameters varying from 600mm to 160mm).</p> <p>Construction of 2Nr. Modern Faecal Exhauster Discharge Points and 8,000 Nr Household Sewer Connections</p> <p>Improvements at Ruiru Sewage Treatment Works comprising of Construction of Grit Removal Channel at the Phase I Inlet Works and 750mm diameter Interconnection Pipeline, length 515m, between the Phase I and Phase II Works</p> <p>Cost of Contract Kshs. 2,154,077,997.67 (Inclusive of 16%VAT)</p> <p>Amount paid to date is Kshs 938,045,861.74</p>	The contract is on course, with the overall progress of works being 65%	<ul style="list-style-type: none"> • Delay in mobilization • Tight cashflows • Long approval process

Contracts under AWWDA			
Project Name	Project Scope	Progress to date	Challenges
Construction of Mwiki and Clay works Reticulation Sewers	<p>Scope Construction of 40km reticulation sewers for Mwiki area Construction of 26.369km reticulation sewers for Clay Works areas Construction of 53.148km reticulation sewers for kasarani and Gatina areas Construction of 4.4km DN900mm Dandora Dumpsite Trunk Sewer Construction of 10.835km sewers for Embakasi North areas Construction of 18.9km reticulation sewers for Southern Nairobi areas Construction of an administration building for Embakasi North areas Identification and connection of 4,000Nr. Households. Construction of 2Nr. sludge disposal facility Drilling, testing and equipping of ten (10Nr.) 300m deep boreholes, construction of ten (10Nr.) 18m high 24m³ elevated steel water tanks, ten (10Nr.) standard water kiosks and 10km connection water pipelines.</p> <p>Cost of Contract Kshs. 1,794,140,605.68</p> <p>Amount paid to date; 1,099,977,445.16</p>	The contract is on course, with the overall progress of works being 78%	<ul style="list-style-type: none"> • Slow approval process. • Delay in mobilization • Tight cashflows • Soaring cost of materials • Long approval process

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Contracts under AWWDA			
Project Name	Project Scope	Progress to date	Challenges
Construction of East and West of Nairobi Reticulation sewers	<p>Scope The Chairman described the scope of works as follows;</p> <p>a) Laying of 130 km Reticulation sewers in various areas of East and West of Nairobi, including, Karen, Uthiru, Kangemi 1 Ruaka, Mountain View, Westlands, Kilimani, Kileleshwa, Ngara, Eastleigh, Huruma, Mathare North and Utawala</p> <p>b) Securing of Karen wastewater treatment plant and site ancillary works</p> <p>c) 3000 Household sewer connections in East and West of Nairobi areas. The specific components of works include:</p> <ol style="list-style-type: none"> 1. Karen Sewer Project; Karen Trunk Sewer, Karen Reticulation Sewers, Karen STW Fencing 1 Site Ancillary Works 2. Western Nairobi Sewerage Project: Western Reticulation Sewers, Kangemi, Uthiru, and Mountain View Reticulation Sewers, Kileleshwa Reticulation Sewers, Kilimani Reticulation Sewers, Kirichwa Dogo Trunk Sewer Extension 3. Eastern Nairobi Sewerage Project: Ngara Reticulation Sewers, Eastleigh Reticulation Sewers, Huruma and Mathare North Reticulation Sewers, Utawala Sewers 4. Ruaka Intensification Sewer: Ruaka Reticulation Sewers 5. Household Connections: 3,000 Nr. Household Connections 6. Drilling and equipping of boreholes. <p>Cost of Contract Kshs 1,278,465,431.18</p> <p>Amount paid to date; 882,808,958.05</p>	The contract is on course, with the overall progress of works being 58%	

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Contracts under AWWDA			
Project Name	Project Scope	Progress to date	Challenges
Construction of Nairobi Informal settlements water and sanitation lot 5	<p>Scope</p> <p>The Works consist of Rain water harvesting activities, including;</p> <p>a) Ablution Blocks in the selected areas in selected informal settlements.</p> <p>b) Sewerage Networks and last mile household connections.</p> <p>c) Development of community Borehole based water supply projects with associated infrastructure</p> <p>Cost of Contract Kshs 298,935,863.38</p> <p>Amount paid to date; 104,418,289.86</p>		
Construction of Dandora Estate waste water treatment plant rehabilitation and duplication plant inlet works	<p>Scope</p> <ul style="list-style-type: none"> •Rehabilitation of the existing DEWWTP Inlet Works, •Expansion of the DEWWTP Inlet Works next to the existing one, •Desludging of the DEWWTP Anaerobic Ponds •Ancillary Works including: <ul style="list-style-type: none"> -Rehabilitation of Access Roads -Stormwater drain between Phase II and Phase III ponds -Boundary wall on western edge of the DESTP -Fencing of the edge along the Nairobi River -Rehabilitation of the Effluent Outlet Channels -Desilting for Nairobi Trunk Sewer (for 3.7km) <p>Cost of Contract Kshs 1,531,934,111.57</p> <p>Amount paid to date; 306,386,822.31</p>		

Goods

Project Name	Project Scope	Progress to date	Challenges
Supply and delivery of Operational Vehicles for Nairobi City Water and Sewerage Company	The contract was signed at a contract sum of Kshs 62,977,234.04 inclusive of taxes. It was for supply of vehicles for Nairobi city water and sewerage	The contract is completed	None

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Project Name	Project Scope	Progress to date	Challenges
Upgrade of ICT Systems for Nairobi City Water and Sewerage Company	The contract was awarded on 14 th Oct 2020 at a contract sum of USD 1,627,303.36 inclusive of VAT	Contract is on course, Implementation on-going at 90%	None
Supply and Delivery of 11 No. Trucks (4 TON & 7 TON)	The contract was awarded on 14 th Oct 2020 at a contract sum of Kshs 59,434,347.6 Exclusive of VAT	The contract is completed	None
Supply and Delivery of 4 no. Exhausters (2 big and 2 small)	The contract was awarded on 14 th Oct 2020 at a contract sum of Euro 596,338	The contract is completed	None
Supply and Delivery of 2 no. Sewer Flushing Vehicles	The contract was awarded on 14 th Oct 2020 at a contract sum of Euro 670,304	The contract is completed	None
Supply and Delivery of 2 No. Generators for Kariobangi Waste Water Treatment Plant	The contract was awarded on 14 th July 2021 at a contract sum of Kshs 63,672,473.88	The contract is ongoing. Awaiting inspection and delivery	Covid restrictions
Supply, Delivery, Installation and Commissioning Laboratory Equipment	The contract was awarded on 14 th Oct 2020 at a contract sum of Kshs 26,666,300 Exclusive of VAT	The contract is completed	None
Rain Water Harvesting Activities: Supply and Installation of Water Tanks	The contract was awarded on 14 th April 2022 at a contract sum of Kshs 24,558,534.00 inclusive of VAT	The contract is ongoing.	Delay in the payment process

Consultancies

Project Name	Consultancy Scope	Progress to date	Challenges
Consultancy Services for Design Review and Construction Supervision of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	Design review, tender documentation connections inventory and assistance in procurement of works contractor. Construction supervision and RAP/ESIA Implementation Cost of Contract USD 283,600 Kshs 2,472,500 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 107,541,694 to date	None

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Project Name	Consultancy Scope	Progress to date	Challenges
Consultancy Services for Design Review and Construction Supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers	Design review tender documentation and construction supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers Cost of Contract Kshs 83,620,000 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 59,679,920.00 to date	None
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	Design and construction supervision for rehabilitation and expansion of Dandora Estate sewerage treatment plant Cost of Contract Kshs 65,716,130.00 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 19,964,570.78 for certificates 1-2	None
Consultancy services for design review and construction supervision of water and sanitation services for Nairobi Informal settlements	Design review and construction supervision of water and sanitation services for Nairobi Informal settlements Cost of Contract Kshs 59,854,550 inclusive of indirect taxes	The consultancy is on course and has not disbursed yet.	None
Consultancy Services for Water Quality Monitoring and assessment of Nairobi River	Water Quality Monitoring and assessment of Nairobi River Cost of Contract Kshs 24,802,940 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 4,960,588 for certificates 1-2	None

2.9 Summary of Project Compliance:

The project performed all its activities ensuring compliance with applicable laws and regulations, and essential external financing agreements/covenants.

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.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	The project objective is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.	<p>1. Construction of Sewers, diameters ranging from 160mm to 600mm, approximate total length 190km</p> <p>2. Construction of 8,000 Nr Household Sewer Connection Construction of 2Nr. Modern Faecal Exhauster Discharge Points and Ancillary Facilities at each Point including</p> <p>3. Administration Building, Staff Houses (2Nr., One Bedroom Houses), Ablution Block and Gate House.</p> <p>4. Improvements at Ruiru Sewage Treatment Works comprising of Construction of Grit Removal Channel at the Phase I Inlet Works and 750mm diameter Interconnection Pipeline, length 515m, between the Phase I and Phase II Works.</p>	% Increase in water and sanitation coverage in Kahawa Githurai and Ruiru	Overall Progress of the Works is at 65%

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Project	Objective	Outcome	Indicator	Performance
Construction of Mwiki & Clayworks Reticulation sewers	The project objective is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.	Construction of 40km reticulation sewers for Mwiki Construction of 26.369km reticulation sewers for Clay Works Construction of 53.148km reticulation sewers for kasarani and Gatina Construction of 4.4km DN900mm Dandora Dumpsite Trunk Sewer Construction of 10.835km sewers for Embakasi North areas Construction of 18.9km reticulation sewers for Southern Nairobi areas Construction of 2Nr. sludge disposal facility	% Increase in sanitation coverage in Nairobi areas	Overall progress of work is at 78%
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	The main objective of the assignment is to improve the wastewater treatment process at the Dandora Estate Sewage Treatment Plant leading to a better quality of effluent.	1. DESTP inlet Rehabilitation works 2. DESTP Inlet Expansion works, including the Kiu River Pumping Station 3. Construction of channel extension from Inlet Works to the distribution channel for Anaerobic Ponds 3. 4. Desludging of DESTP anaerobic ponds	Improved efficiency and capacity of the inlet works anaerobic ponds	Overall progress of work is at 58%

4. Environmental and Sustainability Reporting

Introduction

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and practices that contribute to the quality of the environment on a long-term basis as well acceptable social norms over the long term. It is also defined as the ethical obligation of companies/organizations to protect natural resources, reduce pollution and other forms of environmental harm.

It involves making decisions and taking actions that are in the interest of protecting the natural and social environment, with particular emphasis on preserving the capability of the environment to support human life and social wellbeing of communities.

As such, Athi Water Works Development Agency (AWWDA) a state corporation established by the Water Act 2016 under the Ministry of Water, Sanitation and Irrigation covering Nairobi City County, Kiambu County and Murang'a County. Its key responsibility as defined by the Water Act 2016 is to;

1. Undertake the development, maintenance and management of National Public Waterworks,
2. Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of waterworks are handed over to a county government, joint committee, authority of county government or water services provider,
3. Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee,
4. Provide technical services and capacity building to such county government and water providers,
5. Provide to the cabinet secretary technical support in discharging of his or her functions under the Water Act 2016.

In the performance of its mandate, the Agency is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

It is committed to environmental conservation and protection as well as safeguarding the health and safety of workers within its premises, projects and project areas. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within the Institution's area of jurisdiction.

4.1 Sustainability strategy and profile

In performing her mandate, Athi Water is committed to perform ethically and contribute to economic

development while improving the quality of life of the workforce and their families as well as of the local community and society at large. AWWDA undertakes to conduct business in a way which will achieve sustainable growth, in line with legal and moral obligations. We aim to achieve our business objectives in a caring and responsible manner taking into account economic, social and environmental impacts.

4.2 Environmental performance

Introduction

AWWDA developed and operationalized the integrated workplace environment health and safety policy statement which states the organization's commitment to protect the environment, preserve the health and safety of AWWDA employees and communities, and ensure safe development of water and sanitation infrastructure. This policy statement provides a framework for developing environmental objectives, targets and programs.

The organizational service charter also includes the environmental considerations such as the enforcement of water quality monitoring.

AWWDA subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination (Amendment) Act of 2015. This is done in order to identify both potential positive and negative impacts. The process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards.

Some of the environmental and social impact assessment reports prepared, approved and licensed by NEMA within the financial year include:

- Proposed Motoine Trunk Sewer Improvement Project Phase II (NaRSIP II)
- Proposed reticulation sewers for Juja and Thika South area
- Proposed construction of Kabete Water Treatment Plant- Mombasa Road Trunk Distribution Main
- Proposed Construction of Kangema Town Sewerage Project
- Proposed Construction of Kigumo Town Sewerage Project
- Proposed Construction of Kangare Town Sewerage Project

AWWDA has in place an operational Environmental and social safeguards division within the Water and Sanitation department responsible for Environmental and Social compliance and Management. The team comprises of both sociologists and environmentalists. They are tasked with managing the Environmental and social aspects of the organization and community.

Pollution Prevention and Abatement

AWWDA Complies with various legislations related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules).

Programs are in place to ensure that all operations are in compliance with these regulations. For instance, water abstraction permitting, effluent discharge planning and licensing, and workplace certification among others. The following are some of the measures employed by the organization to mitigate pollution

- All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.
- All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans and environmental conservation.
- All motor vehicles are being regularly serviced as per manufacturer's recommendations.
- Compliance to the Occupational, Health and Safety Act, 2007
- Conformance to EMCA (Air quality regulations), 2014
- Compliance to EMCA (Noise and Vibrations pollution control), 2009
- Compliance to the national environmental Action Plan, 2009-2013
- The penal code chapter 63.

Climate Change Mitigation and adaptation

Climate change poses a significant challenge to the water sector impacting both water quality and availability. To mitigate climate change, AWWDA advocates for environmental sustainability and maintaining the natural ecosystem services of the environment. AWWDA has also liaised with various stakeholders to ensure that all projects within its jurisdiction comply with environmental legislations, regulations and Acts. The following are some of the measures taken by the Agency to mitigate climate change:

- I. Projects such as the Rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency by reducing the amount of GHG emission into the atmosphere. Efforts are also being directed towards exploring the possibility of trapping methane gas generated from the sewerage treatment plants for energy use.
- II. Oloitoktok Water Supply project is another project that aims at mitigating climate change by utilizing solar energy in its day-to-day operations, therefore complying with the renewable energy Act, 2019.
- III. AWWDA is also implementing large and medium dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change.
- IV. Water conservation through the use of water storage tanks- The organization has donated plenty of water tanks to community projects and schools.
- V. Waste water reuse and recycling-This involves treating of waste water and directing it to rivers. Community members are able to use the water for various purposes such as irrigation.
- VI. Flood management- Projects such as NCT have been constructed to collect flood water. Therefore, increasing the availability and quantity of clean drinking water.
- VII. Tree planting- The agency has carried out various tree planting exercises as a climate change adaption measure to act as carbon sinks.

Promoting Environmental protection and conservation through partnerships with stakeholders

Kenya has experienced prolonged droughts and as a result, livestock, nature and biodiversity loss has been witnessed to a higher magnitude as compared to other decades. In response to this, the government has initiated a national tree planting and restoration campaign to raise the forest cover by 2032.

AWWDA in association with other stakeholders such as County governments, community members, WRA, NEMA, WRUA, NGOs, private sector, local administrations etc have teamed up to carry out afforestation activities within its area of jurisdiction.

The following are the tree planting exercises carried out within the FY 2022-2023.

- I. Karimenu II Dam Phase I, II & III Tree Planting Drive conducted at the project site on June 2022, 2nd December 2022 and 28th April 2023
- II. Restoration of Sasumua Water Catchment Tree Planting Campaign
- III. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted at Lamu County on 25th April 2023
- IV. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted in Nakuru, Itare Dam Water Catchment on 15th June 2023

Table 1: Tree planting exercise FY 2022-2023

S/NO	PROJECT	NO. OF TREES	AFFORESTATION AREA	STAKEHOLDERS
I.	Karimenu II Project	3600	Within the project. Borrow pits A, B and Quarry A Borrow pits C and Coffee factory Site	AWWDA, Stanbic Bank, Judiciary, Rodi Kenya, RUJWASCO and community.
II.	Sasumua Water Catchment	10,000	Catchment Area	AWWDA, Nairobi and Murang'a water, Central Rift Water Works Agency and community
III.	Lamu Sandunes in Lamu County	1,000	Catchment Area	AWWDA Ministry of water and Irrigation, Lamu County, Coast Water and Sewerage Company and Water Trust Fund and community
IV.	Nakuru, Itare Dam Water Catchment	1,000	Catchment area	AWWDA Ministry of Water and Irrigation, county government and water service providers and community

Social economic activities

Socio-economic impact assessment

It is the systematic analysis used during EIA to identify and evaluate the potential socio-economic and cultural impacts of a proposed development on the lives and circumstances of people, their families and their communities. If such potential impacts are significant and adverse, SEIA can assist the developer, and other parties to the EIA process, find ways to reduce, remove or prevent these impacts from happening. It also contributes to the ongoing management of social issues throughout the whole project development cycle, from conception to post-closure.

AWWDA focuses on social impact assessment to enhance the benefits of projects to impacted communities.

This is also necessary for the project to earn its 'social license to operate.

Enhancing benefits covers a range of issues, including: modifying project infrastructure to ensure it can also service local community needs; providing social investment funding to support local social sustainable development and community visioning processes to establish strategic community development plans; a genuine commitment to maximizing opportunities for local content (i.e. jobs for local people and local procurement) by removing barriers to entry to make it possible for local enterprises to supply goods and services; and by providing training and support to local people.

Where people's assets and properties are affected, AWWDA ensures that there is prior and informed consent from the project affected persons; that there is prompt and adequate compensation for any loss; and where people are resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

Other social sustainability activities include:

- i. Stakeholder engagement and public participation
- ii. Livelihood restoration
- iii. Community benefits/ projects
- iv. Economic development through initiatives such as ablution blocks that are handed over to CBOs

Environmental monitoring and reporting

AWWDA has established various mechanisms of tracking the performance of Environment, Health and Safety (EHS) for the various projects under implementation. Project implementation units are at the fore front of ensuring compliance to EHS. Monthly/quarterly and annual reports, site inspections, EHS monthly meetings, EHS committees and audits form part of EHS monitoring and reporting.

i. EHS committees, inspections and audits

The environment and social safeguard unit has established an EHS committee for each project whose main objective is to carry out routine inspections on specific sites with a view to check the contractor's level of EHS compliancy. This includes conformity to Occupational Health and Safety guidelines and the Environmental Management and Coordination (Amendment) Act of 2015. The EHS committee also carries out periodic environmental audits which informs the contractor on his level of compliance and the improvements that need to be done in order to maintain a safe workplace and promote environmental and social sustainability of the project.

The EHS Committees also holds monthly EHS meeting on site. These meetings are informed by the cumulative inspections carried out during that month. The output of the meetings is a monthly EHS performance and monitoring report that enables AWWDA to keep track of the project's EHS performance.

ii. Environmental and social sustainability management systems

AWWDA aims at managing the various environmental and social aspects associated with different projects under implementation by developing and implementing project specific management and monitoring plans.

iii. Environmental and Social Management Plans

An Environmental and Social Management Plan (ESMP) provides the remedial measures to be taken, the responsible person(s) for execution, and the monitoring activities to be undertaken during the construction, operational and decommissioning phases.

An indication of the timing for implementation and the cost involved is also provided. It is a practical and

achievable plan of management to ensure that any environmental impacts during the design, planning and construction phase are minimized. All contractors working with AWWDA submits an ESMP for their respective projects to AWWDA for review. AWWDA ensures that the ESMP is implemented at each phase of the project in order to minimize harmful occurrences to the environment, community members and the employees.

iv. Health and Safety Management Plans

In accordance with the requirements of the Occupational Safety and Health Act 2007, a Health and Safety Management Plan (HESMP) is prepared for each project being implemented by AWWDA. The objective of a HESMP is to establish safe working practices and standards, which are employed on site and to detail the organizational requirements and obligations of the contractor.

v. Grievance redress mechanism

AWWDA recognizes the need for a Grievance Redress mechanism (GRM) throughout the project implementation period to identify disputes in good time and allow for them to be resolved in a transparent and accountable manner. Compensation based disputes are issues likely to occur during and after project implementation period, hence the need for GRM system.

The need for a GRM is obligated by the Land Act 2012 which recognizes the right of the affected persons to refer their disputes to the Land and Environment Court, while the Land Policy advocates for negotiation, mediation and arbitration to reduce the number of cases that end up in the court system and delayed justice. Similarly, project financing institutions guidelines and policies also call for appropriate and accessible grievance handling mechanisms for project affected persons.

vi. Gender Mainstreaming

Gender mainstreaming involves the integration of gender perspective into the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and programmes, with a view to promoting equality between women and men, and combating discrimination.

AWWDA and its many projects have both male and female employees. The organization has identified the following measures to enhance gender mainstreaming

- Both male and female employees are involved in decision making
- Equal access to and utilization of services
- Use of gender sensitive information
- Equal treatment is integrated for both men and women is practiced

vii. Prevention of gender-based violence

AWWDA is integrating GBV trainings within the work sites to ensure that cases of sexual harassment and sexual exploitation and abuse within the work places are mitigated against. AWWDA has a GBV committee which is championing this together with a number of consultants who undertake sensitization activities. This will ensure that cases of sexual harassment are reported and that women/men will not fear reporting such cases due to fear of victimization.

Conclusion

AWWDA is committed to Environmental Conservation and safeguard of the Health and Safety of employees as well as communities within the organization's areas of operation. The Agency continuously works towards compliance with the national laws as well as international best practices relevant to the environmental and social safeguards to ensure sustainability.

4.3 Employee welfare

The project management is by AWWDA staff and therefore the entity's employee welfare policies and guidelines applies as detailed below:

AWWDA has developed an approved Human Resource Instruments in which one of the guidelines is a comprehensive Human Resource Policy and Procedures Manual which is the primary document in the management of the Human Resources at the Agency. The document contains provisions for managing the entire scope of Human Resource Management and Development cycle.

It generally guides the implementation of the policies and decision making at various levels within the Agency on matters human capital. The policy provision covers the entire recruitment process, pay and benefits, employee relations, performance management, training & development and the health and safety issues. In consideration of the affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalized communities in all aspects of human resources dynamics.

Under the career development, AWWDA has a comprehensive career progression document that outlines employee succession plans including requirements for internal promotions and the external engagements where talents may be required within its establishment. This is an instrument that outlines job descriptions for each cadre of employee. Together with the annual departmental work plans and the Government's performance contracting tool enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency to be up skilled, helped or otherwise redeployed and up scaled.

The Agency also recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters. The policies and programmes are implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

4.4 Market place practices-

AWWDA has ensured that responsible competition practices within the Agency are practised by promoting ethical behaviour, transparency, and compliance with relevant laws and regulations i.e., PPADA ACT 2015 and its Attendant Regulations, Multilateral and Bilateral Rules and Procedures governing Procurement of Goods Works and Services, The Executive Orders and Circulars issued from time to time by the NT, and Regulator PPRA. To address issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors, the Agency has implemented several key measures:

a) Responsible Supply chain and supplier relations-

Client and Employer alliance is key towards delivery of projects, AWWDA has overtime honored contracts and respected payment practices as a good business practice and treating suppliers responsibly as an essential aspect of building strong, sustainable, and ethical business relationships: Some of the practices include:

1. Contract Negotiation: The Agency engages in fair and transparent contract negotiations with its

suppliers with a view of having a win-win position. Contracts clearly outline the terms and conditions, including the scope of work, pricing, delivery schedules, quality requirements, and any other relevant details that favor and are sustainable to both parties.

2. **Compliance with Contract Terms:** Once contracts are entered into, the Agency adheres to the agreed-upon terms. This includes fulfilling its obligations on timely payments by ensuring prompt and timely payment to suppliers, consultants and contractors to maintain a good relationship. Delays in payments can cause financial strain on these service providers, impacting their ability to implement projects efficiently.

3. **Clear Payment Policies:** In compliance with the Agency's service charter, there are clear payment policies that specify payment terms, methods, and timelines which are agreed upon during contract negotiations.

4. **Automated Payment Systems:** The agency has implemented automated payment systems ERP that streamline the payment process, reducing the chances of errors and delays.

5. **Communication and Transparency:** Maintaining open and transparent communication with suppliers. If any payment delays are anticipated, the organization informs the suppliers in advance and works together to find a mutually acceptable solution.

6. **Early Payment Programs:** The agency offers early advance payments to suppliers who may benefit from faster access to funds upon the provision of an advance payment guarantee. YWPLD are major beneficiaries to this program as part of mainstreaming in public procurement.

7. **Supplier Diversity and Inclusion:** The agency practices supplier diversity and inclusion by providing opportunities to small and minority-owned businesses. (YAGPO Groups) by allocating 30% of its procurement budget annually.

8. **Supplier Performance Evaluation:** Regularly evaluating supplier performance to ensure that they meet the agreed-upon standards. Feedback on performance helps suppliers improve their processes, ultimately benefiting both parties.

9. **Conflict Resolution Mechanism:** The agency has in place a conflict resolution mechanism to address any disputes or disagreements with suppliers and contractors promptly and fairly.

10. By implementing these measures, the Agency has created a strong foundation for responsible competition practices, fostering trust among stakeholders and contributing to a sustainable and ethical business environment.

b) Responsible ethical practices

To address issues like anti-corruption, responsible political involvement, fair competition, and respect for competition, the Agency has implemented several key measures:

1. **Code of Conduct and Ethics:** The Agency has established a comprehensive code of conduct that clearly outlines the expected behaviour of all staff in the institution and for Supply Chain Management staff the practising license issued by KISM explicitly prohibits corrupt practices, bribery, and unethical behaviour and ensures compliance by all stakeholders. The license also ensures that the supply chain staff are in good standing prior to renewal.

2. **Compliance Reports:** The Agency Prepares statutory compliance reports to the Various Regulatory Bodies i.e., PPRA, NT, and EACC and reports all the awarded contracts through the PPIP Portal (Public Procurement and Information Portal) which is accessible by the public with disclosures of Beneficial Ownership Information for all awarded contracts.

3. **Anti-Corruption Policies:** The Agency implements policies to prevent corruption, such as anti-bribery and

anti-money laundering policies. These programs include training on anti-corruption measures and responsible political involvement which is a continuous exercise.

4. Fair Competition Practices: The Agency promotes fair competition and adheres to antitrust laws to prevent monopolistic behaviour, price-fixing, bid-rigging, or other practices that harm competition by issuing Requests for Quotations to multiple suppliers in its registered list. For large complex and large contracts, competition is promoted through open competitive bidding for both National and International bidders based on the threshold.

5. Internal Controls and Audits: The Agency implements internal controls and conducts regular Internal Audits, External Audits and ISO audits to monitor compliance with policies and identify any potential violations. Observations and recommendations from these audits are implemented to improve and ensure best practices within internal processes.

c) Regulatory impact assessment

AWWDA has ensured that responsible engagement with its stakeholders is practised within the Agency as well as with our external stakeholders by promoting transparency and compliance with relevant laws and regulations through various measures as follows:

1. Supplier Appraisals and Sensitization Workshops: The Agency conducts annual Sensitization workshops and due diligence on suppliers and business partners to ensure that they adhere to responsible business practices these safeguards both parties' interests as it keeps the public informed on the programs and projects undertaken by the Agency as well as the expectation of the potential suppliers in order to qualify for the available opportunities.

2. Training and Awareness on the PPADA ACT 2015 and Ethics: For the purpose of keeping staff, Board Members and Suppliers informed of the most recent ethical standards, compliance requirements and best practices, the Agency undertakes training and awareness on PPADA Act and ethical and integrity practices.

3. Implementation of a Robust Service Charter - that attends to the needs of both internal and external customers prudently to avert any delays in responses to queries and clarifications that may arise during the bidding period for procurement of goods, works and services by the Agency thus ensuring its stakeholders are properly informed at all times.

4. Clear and Comprehensive Advertisements - The Agency places its adverts for opportunities in the print media and its websites as well as the Public Procurement website (www.tenders.go.ke) which are based on accurate and verifiable information about the projects being implemented by the Agency, this is line with provisions of section 74 of the PPAD Act and its attendant regulations. The Adverts are also detailed and clearly indicate the contact details for purposes of clarification and the mode of submission of tenders by specifying whether the submission shall be done electronically or manually. Adverts relating to preference and reservations scheme state that such tenders are reserved specifically for small and micro enterprises and for disadvantaged groups registered with the National Treasury or regions, as appropriate.

By publishing most opportunities this enhances competition and ensures value for money in the procurement processes.

5. Disclosure of Awarded Contracts in the PPIP (Public Procurement Information Portal)

The Public Procurement Information Portal is an online platform provided by Public Procurement Regulatory Authority (PPRA) for publication of contract awards and tender notices by Procuring Entities. This enhances transparency and accountability to Stakeholders.

By following these principles and practices, AWWDA has built trust with their target audience, demonstrated ethical conduct, and contributed to a more responsible and sustainable marketing and advertising landscape through the advertisement of all tender opportunities either in the print media, website or its social media platforms hence safeguarding citizen and stakeholder's rights through regular and comprehensive engagements.

4.5 Community Engagements

During the 2022/2023FY AWWDA continued to ensure enhanced access to water across our area of jurisdiction.

5. Statement of Project Management Responsibilities

The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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, 2023

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.

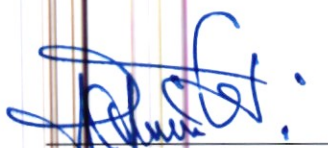
The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 period ended June 30, 2023, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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.

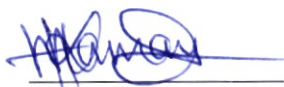
The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the 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 Athi Water Works Development Agency and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II on 31st August 2023 and signed by them.



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS



Project Manager
Eng. Joseph Kamau



Manager, Finance & Accounts
CPA, Dr. Christine Mawia Julius
ICPAK Member Number: 6458

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REPORT OF THE AUDITOR-GENERAL ON NAIROBI RIVERS BASIN REHABILITATION AND RESTORATION PROGRAM: SEWERAGE IMPROVEMENT PROJECT PHASE II (AfDB LOAN NO. 2000200003407 AND ADF LOAN NO. 2100150040550) FOR THE YEAR ENDED 30 JUNE, 2023 - ATHI 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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, 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 ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II set out

Report of the Auditor-General on Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (AfDB Loan No. 2000200003407 and ADF Loan No. 2100150040550) for the year ended 30 June, 2023 - Athi Water Works Development Agency

on pages 1 to 18, which comprise the statement of financial assets as at 30 June, 2023 and the statement of receipts and payments, statement of cash flows and statement of comparative 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, the financial statements present fairly, in all material respects, the financial position of Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 Loan Agreement Nos. 2000200003407 and 2100150040550 dated 19 June, 2019 between African Development Bank (AfDB) the African Development Fund (ADF) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statements present fairly, the special accounts transactions and the closing balance has been reconciled with book balances.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

Other Matter

Budgetary Control and Performance

The statement of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,760,802,082 and Kshs.1,646,991,676 respectively resulting in underfunding of Kshs.113,810,406 or 6% of the budget. Similarly, the statement reflects budgeted expenditure of Kshs.1,760,802,082 against actual expenditure of Kshs.1,626,499,677 resulting to an under expenditure of Kshs.134,302,404 or 8% of the budget.

The underfunding and under expenditure affected implementation of the planned activities and may have impacted negatively on service delivery to the public.

Other Information

The Program Management is responsible for the other information, which comprises Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Corporate Social Responsibility Statement/Sustainability Reporting and Statement of Project Management Responsibilities.

The other information does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the 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. Delayed Payments

The contract No. AWWDA/NaRSIP-II/W-05/2022 for LOT 5-construction of Nairobi Informal Settlements Water and Sanitation Intensification Works was signed on 7 September, 2022 at a contract sum of Kshs.298,935,863 with a commencement date of 31 October, 2022 and completion date of 30 April, 2024. The works involved construction of twenty five (25) ablution blocks in selected areas and ten (10) pilot fresh life toilets in Mukuru estate.

Clause 14.2 of the General conditions to the contract provides for advance payment of up to twenty percent (20%) of the total accepted amount upon request by the contractor to facilitate smooth implementation of works. Further, the advance payment facility should be paid to the contractor within twenty eight (28) days upon request in accordance with clause 14.8 of the contract. However, advance payment of Kshs.59,787,172 requested through Payment Certificate No. 1 dated 11 November, 2022 by the contractor had not been paid as at 30 June, 2023, more than seven (7) months after the request was made.

Management was in breach of contract terms and conditions and the delay in processing of the advance payment to the contractor exposes the Government to additional interest and penalties of Kshs.8,370,204 at the rate of two percent (2%) per month charged on the unpaid amount of Kshs.59,787,172 for the seven months (7) period in which the payment has been outstanding.

In the circumstances, the Management was in breach of contractual obligations and the delayed payment will continue to attract unnecessary interest charge leading to lack of value for money.

2. Avoidable Interest Charges

The statement of receipts and payments reflects acquisition of non financial assets of Kshs.1,604,956,330 as disclosed in Note 4 to the financial statements out of which Kshs.326,812,648 is in respect of measured works vide Interim Payment Certificates 4 to 8 for measured works under Lot 4, on Construction of East and West of Nairobi Reticulation Sewers component. Records provided for audit indicate that the contract No. AWWDA/NaRSIP-II/W-04/2021 was awarded to an engineering firm on 29 July, 2021 at a contract sum of Kshs.1,278,465,431. The Nairobi Rivers Basin Rehabilitation and Restoration: Sewerage Improvement Project Phase II (NaRSIP) aimed at improving the access to waste water services in Nairobi City with a view to contributing to the restoration of the Nairobi Rivers Basin. The Program is comprised of Lot 1 to Lot 5 which involves the construction of various civil works.

However, additional interest accumulation on late or non-payment charges amounting to Kshs.20,052,643 in excess of the contract value have been occasioned by failure to pay the contractor in accordance with contract terms and conditions that require payments to be made within fifty six (56) days upon presentation of Interim Payment Certificates (IPCs) and concurrence to pay. No reasons were given why these avoidable expenditures were incurred given that the Donor, AfDB, pays the contractors promptly after the payment request is submitted.

The payment of interest as a result of delayed payments leads to loss of Government funds which could have been avoided.

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 overall governance were not effective.

Basis for Conclusion

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

Report of the Auditor-General on Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (AfDB Loan No. 2000200003407 and ADF Loan No. 2100150040550) for the year ended 30 June, 2023 - Athi Water Works Development Agency

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 provision of Loan Agreements Numbers: 2000200003407 and 2100150040550 dated 19 June, 2019 between the African Development Bank, the African Development Fund 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 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 governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or 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 comply 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 Project's 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

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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 December, 2023

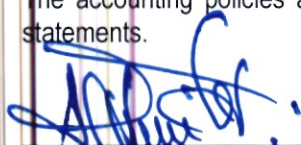
Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)

Annual Report and Financial Statements for the financial year ended June 30, 2023

7. Statement of Receipts and Payments for The Year Ended 30th June 2023

	Note	2022/23			2021/22			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
RECEIPTS								
Transfer from Government entities	1	157,000,000		157,000,000	195,000,000	-	195,000,000	396,363,774
Proceeds from domestic and foreign grants	2	-		-	-	-	-	-
Loan from external development partners	3	32,945,771	1,453,243,823	1,486,189,594	-	800,063,163	800,063,163	2,980,503,034
Miscellaneous receipts	4	544,325		544,325	708,750	-	708,750	2,377,171
TOTAL RECEIPTS		190,490,096	1,453,243,823	1,643,733,920	195,708,750	800,063,163	995,771,913	3,379,243,980
PAYMENTS								
Compensation of employees	5			-	-	-	-	-
Purchase of goods and services	6	21,543,348	-	21,543,348	408,840	-	408,840	22,128,010
Social security benefits	7			-	-	-	-	-
Acquisition of non-financial assets	8	151,712,506	1,453,243,823	1,604,956,330	217,437,620	800,063,163	1,017,500,783	3,336,623,972
Transfers to other government entities	9			-	-	-	-	-
Other grants and transfers and payments	10			-	-	-	-	-
TOTAL PAYMENTS		173,255,854	1,453,243,823	1,626,499,678	217,846,460	800,063,163	1,017,909,623	3,358,751,982
SURPLUS/DEFICIT		17,234,242	-	17,234,242	-	22,137,710	-	20,491,998

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



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS

Date:



Project Manager
Eng. Joseph Kamau

Date:



Manager, Finance & Accounts
CPA, Dr. Christine Mawia Julius
ICPAK Member Number: 6458

Date:

8. Statement of Financial Assets as at 30th June 2023

	Note	2022-2023	2021-2022
		KShs	KShs
Cash and Cash Equivalents			
Bank Balances	11.A	20,491,998	3,257,757
Cash Balances	11. B	-	-
Cash Equivalents (short-term deposits)	11.C	-	-
Total Cash and Cash Equivalents		20,491,998	3,257,757
Accounts Receivables	12	-	-
TOTAL FINANCIAL ASSETS		20,491,998	3,257,757
FINANCIAL LIABILITIES			
Payables- Deposits and Retentions	13	-	-
NET ASSETS		20,491,998	3,257,757
REPRESENTED BY			
Fund balance b/fwd	14	3,257,757	25,395,466
Prior year adjustments	15	-	-
Surplus/(Deficit) for the year		17,234,242	- 22,137,709
NET FINANCIAL POSITION		20,491,998	3,257,757

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 31st August 2023 and signed by:



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS



Project Manager
Eng. Joseph Kamau



Manager, Finance & Accounts
CPA, Dr. Christine Mawia Julius
ICPAK Member Number: 6458

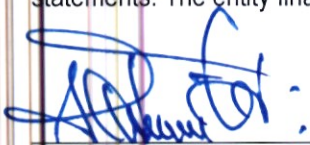
Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)

Annual Report and Financial Statements for the financial year ended June 30, 2023

9. Statement of Cashflow for The Year Ended 30th June 2023

		2022-2023	2021-2022
	Note	KShs	KShs
CASHFLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
Transfer from Government entities	1	157,000,000	195,000,000
Proceeds from domestic and foreign grants	2	0	-
Miscellaneous receipts	4	544,325	708,750
		157,544,325	195,708,750
Payments from operating activities			
Purchase of goods and services	6	21,543,348	408,840
Adjustments during the year			
Prior Year Adjustments	15	-	-
Decrease/(Increase) in Accounts Receivable	16	-	-
Increase/(Decrease) in Accounts Payable:	17	-	-
Net cash flow from operating activities		21,543,348	408,840
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	1,604,956,330	1,017,500,783
Net cash flows from Investing Activities		1,604,956,330	1,017,500,783
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	1,486,189,594	800,063,163
Net cash flow from financing activities		1,486,189,594	800,063,163
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,234,242	- 22,137,710
Cash and cash equivalent at BEGINNING of the year	11	3,257,757	25,395,466
Cash and cash equivalent at END of the year		20,491,998	3,257,757

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 31st August 2023 and signed by:



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS



Project Manager
Eng. Joseph Kamau

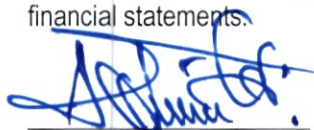


Manager, Finance & Accounts
CPA, Dr. Christine Mawia Julius
ICPAK Member Number: 6458

10. Statement of Comparative Budget and Actual Amounts

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	100,000,000	57,000,000	157,000,000	157,000,000	-	100%
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	1,900,000,000	- 300,000,000	1,600,000,000	1,486,189,594	113,810,406	93%
Miscellaneous receipts	544,325		544,325	544,325	-	100%
Fund balance B/F	-	3,257,757	3,257,757	3,257,757	-	100%
Total Receipts	2,000,544,325	- 239,742,244	1,760,802,082	1,646,991,676	113,810,406	94%
Payments						
Compensation of employees			-	-	-	-
Purchase of goods and services	22,000,000	-	22,000,000	21,543,348	456,652	98%
Social security benefits			-	-	-	-
Acquisition of non-financial assets	1,978,544,325	- 239,742,244	1,738,802,082	1,604,956,330	133,845,752	92%
Transfers to other government entities			-	-	-	-
Other grants and transfers			-	-	-	-
Total Payments	2,000,544,325	- 239,742,244	1,760,802,082	1,626,499,677	134,302,404	92%
Surplus or Deficit	-	-	-	20,491,998	- 20,491,998	

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



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS

Date:



Project Manager
Eng. Joseph Kamau

Date:



Manager, Finance & Accounts
CPA, Dr. Christine Mawia Julius
ICPAK Member Number: 6458

Date:

11. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

10.2 Reporting entity

The financial statements are for the Nairobi Rivers Basin Rehabilitation And Restoration Program: Sewerage Improvement Project Phase II under under Athi Water Works Development Agency. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3 Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by AWWDA and/or the contractor/consultant or supplier in the event of direct payments.

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

iv) 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.

v) 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.

vi) 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

10.5 Recognition of payments

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

Accounting Policies (Continued)

i) Compensation of employees

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

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by AWWDA and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

10.6 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.

10.7 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.

10.8 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

Accounting Policies (Continued)

10.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

10.11 Contingent Assets

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

10.12 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.

10.13 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

Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)
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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.

10.14 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 1,453,243,823** being loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

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

10.16 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.

10.17 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, 2023

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments on the financial statements for the year ended June 30, 2023

**Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project
Phase II (P-KE-EB0-010)
Annual Report and Financial Statements for the financial year ended June 30, 2023**

12. Notes To the Financial Statements

1. Transfers from Government entities

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

	2022/23	2021/22	
	KShs	KShs	Cumulative to-date (from inception)
Counterpart funding through Ministry of Water and Sanitation			
Counterpart funds Quarter 1	100,000,000	120,000,000	239,363,774
Counterpart funds Quarter 2		25,000,000	50,000,000
Counterpart funds Quarter 3			25,000,000
Counterpart funds Quarter 4	57,000,000	50,000,000	82,000,000
Appropriations-in-Aid			
Total	157,000,000	195,000,000	396,363,774

2. Proceeds From Domestic and Foreign Grants

The project is fully loan financed and had no domestic and foreign grants

*Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project
Phase II (P-KE-EB0-010)
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Notes To The Financial Statements (Continued)

3. Loan From External Development Partners

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	2022 /23	2021/22
Loans Received from Bilateral Donors (Foreign Governments)						
	N/A	N/A	N/A	N/A	N/A	N/A
Loans Received from Multilateral Donors (International Organisations)						
African Development Fund (ADF)-UA						
	1st Jul-30th Jun 2021	385,429		54,290,719		
	1st Jul-30th Jun 2022	748,059		87,422,247		87,422,247
	1st Jul-30th Jun 2023	246,018	32,945,771		32,945,771	
African Development Bank (ADB)-EURO						
	1st Jul-30th Jun 2021	4,543,296		639,959,558		
	1st Jul-30th Jun 2022	6,097,958		712,640,916		712,640,916
	1st Jul-30th Jun 2023	10,851,898		1,453,243,823	1,453,243,823	
Total			32,945,771	2,947,557,263	1,486,189,594	800,063,163

**Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project
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Annual Report and Financial Statements for the financial year ended June 30, 2023**

Notes To the Financial Statements (Continued)

4. Miscellaneous Receipts

	2022/23			2021/22	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Interest from bank deposit	544,325	-	544,325	708,750	2,377,171
Total	544,325	-	544,325	708,750	2,377,171

5. Compensation to Employees

The project is implemented by AWWDA staff and therefore no staff compensation was drawn from the proceeds of the loan

6. Purchase of Goods and Services

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Bank charges	123,284	-	123,284	119,872	418,978
Workshops	40,000	-	40,000	288,968	328,968
Other Expenses	1,620,372		1,620,372	-	1,620,372
ADB Training	19,759,692		19,759,692		19,759,692
Total	21,543,348	-	21,543,348	408,840	22,128,010

7. Social Security Benefits

There was no social security benefit cost relating to the project in the reporting period

**Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project
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Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Upgrade of ICT Systems for Nairobi City Water and Sewerage Company	4,879,006	30,493,785	35,372,791	35,094,633	158,218,074
Supply, Delivery, Installation and Commissioning of Laboratory Equipment for Nairobi City Water and sewerage Company	-	-	-	31,906,206	31,906,206
Supply and delivery of 11NO. Trucks for Nairobi City water and sewerage company	-	-	-	67,755,156	67,755,156
Supply and delivery of Operational Vehicles for Nairobi City Water and Sewerage Company	-	-	-	-	61,891,420
Consultancy Services for Design Review and Construction Supervision of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	3,822,892	24,026,748	27,849,640	6,187,219	78,269,269
Construction of east and west of Nairobi reticulation	28,787,108	298,025,541	326,812,648	412,778,675	739,591,323
Lot 2 - Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	26,040,660	280,608,932	306,649,592	324,242,101	909,436,262
Consultancy Services for Design Review and Construction Supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers	1,383,744	37,485,700	38,869,444	9,556,482	54,912,226
Construction of Mwiki & Clayworks Reticulation sewers	31,852,715.80	570,123,232	601,975,948	91,239,473	925,216,361
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	1,376,868	6,884,335	8,261,202	8,760,316	18,742,602
Supply delivery of 4 No. Vacuum Exhauster Trucks for NCWSC	31,898,304	70,516,074	102,414,378	-	102,414,378
Supply delivery of 2 No. Vehicle Mounted sewer Flushing Units	21,671,210	79,262,443	100,933,652	-	100,933,652
Consultancy Services for Water Quality Monitoring and assessment of Nairobi River	-	4,276,369	4,276,369	-	4,276,369
Construction of Nairobi Informal settlements water and sanitation lot 5	-	51,540,666	51,540,666	-	51,540,666
Taxes	-	-	-	29,980,522	31,520,008
Total	151,712,506	1,453,243,823	1,604,956,330	1,017,500,783	3,336,623,972

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Notes To The Financial Statements (Continued)

9. Transfers to other Government Entities

During the 12 months to 30 June 2023, there were no transfers made to other agencies.

10. Other Grants and Transfers and Payments

The project did not make transfers to any other entity in the period under review

11. Cash and Cash Equivalents Carried Forward

	2022/23	2021/22
	KShs	KShs
Bank accounts (Note 8.13A)	20,491,998	3,257,757
Cash in hand (Note 8. 13B)	-	-
Cash equivalents (short-term deposits) (Note 8.13C)	-	-
Total	20,491,998	3,257,757

The reported cash balances comprise of GoK contribution to the project and is managed through AWWDA's NARSIP II account held at NCBA.

11. A Bank Accounts

Project Bank Accounts

	2022/23	2021/22
	KShs	KShs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No.....]	2,410	-
Total Foreign Currency balances	2,410	-
Local Currency Accounts		
NCBA	20,489,588	3,257,757
Total local currency balances	20,489,588	3,257,757
Total bank account balances	20,491,998	3,257,757

The project funds are held in NCBA Bank

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Notes To The Financial Statements (Continued)

Special Deposit Accounts

	2022/23	2021/22
	KShs	KShs
(i) A/c Name [A/c No1000504161]		
Opening balance	-	-
Total amount deposited in the account	32,945,771	-
Total amount withdrawn (as per Statement of Receipts & Payments)	32,943,361	-
Closing balance (as per SDA bank account reconciliation attached)	2,410	-
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	-	-
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	-	-
Closing balance (as per SDA bank account reconciliation attached)	2,410	-

11B Cash in Hand

There was no cash in hand relating to the project as at 30th June 2023

11C Cash equivalents (short-term deposits)

There was no cash in hand relating to the project as at 30th June 2023

12. Imprests and Advances

There were no account receivables relating to the project as at 30th June 2023.

12b: Breakdown of Imprests and Advances

All the Imprests relating to the project had been surrendered by 30th June 2023

13. Deposits and Retention Monies

There were no deposits and retention monies relating to the project as at 30th June 2023

14. Fund Balance Brought Forward

	2022/23	2021/22
	KShs	KShs
Bank accounts	3,257,757	25,395,466.00
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	3,257,757	25,395,466

15. Prior Year Adjustment

The project did not have any prior year adjustment during the 2022/2023FY

16. Changes In Receivable

The project did not have any changes in receivables during the 2022/2023FY

17. Changes In Accounts Payable

The project did not have any changes in accounts payable during the 2022/2023FY

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Other Important Disclosures (Continued)

13. Other Important Disclosures

1. Pending Accounts Payable (See Annex 2a)

	Balance b/f FY 2021/22	Additions for the period	Paid during the year	Balance c/f FY 2022/23
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil works	635,191,210	2,147,480,889	1,286,978,854	1,495,693,245
Supply of goods	35,757,583	214,413,150	238,720,821	11,449,912
Supply of services	45,550,608	126,601,269	79,256,655	92,895,222
Total	716,499,401	2,488,495,308	1,604,956,330	1,600,038,379

2. Pending Staff Payables (See Annex 2b)

The project did not have any payables relating to staff costs

3. Other Pending Payables (See Annex 2c)

During the year under review the project did not have other pending payables

4. External Assistance

Description	2022/23	2021/22
	KShs	KShs
External assistance received as grants	-	-
External assistance received as loans	1,486,189,594	800,063,163
External assistance received in kind- as payment by third parties	-	-
Total	1,486,189,594	800,063,163.00

a). External assistance relating loans and grants

Description	2022/23	2021/22
	KShs	KShs
External assistance received as loans	1,486,189,594	800,063,163
External assistance received as grants		
Total	1,486,189,594	800,063,163

b). Undrawn external assistance

Description	Purpose for which the undrawn external assistance may be used	2022/23	2021/22
		KShs	KShs
Undrawn external assistance - loans		4,372,004,490	5,858,194,084
Undrawn external assistance - grants			
Total		4,372,004,490	5,858,194,084

c) Classes of providers of external assistance

The project did not have classes of providers of external assistance during the year 2022/23

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Other Important Disclosures (Continued)

d) non-monetary external assistance

The project did not have non-monetary external assistance during the year 2022/23

e) Purpose and use of external assistance

Payments made by third parties	2022/23	2021/22
Description	KShs	KShs
Compensation to employees		
Use of goods and services	21,543,348	408,840
Subsidies		
Transfers to other Government entities		
Other grants and transfers		
Social Security benefits		
Acquisition of assets	1,604,956,330	1,017,500,783
Finance Costs including loan interest		
Repayment of principal on domestic and foreign borrowing		
Other payments		
Total	1,626,499,678	1,017,909,623

f) External Assistance paid by third parties on behalf of AWWDA by Source

There was no external assistance paid by third parties on behalf of AWWDA by source in the project during the year 2022/23

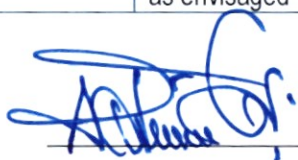
14. Prior Year Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Other Matter Budgetary Control and Performance	The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of kshs 1,141,104,216 and kshs 1,021,167,379 respectively, resulting into underfunding of kshs 119,936,837 or 11% of the budget. Similarly, the project utilised Kshs 1,017,909,623 against the budgeted amount of kshs 1,141,104,216 resulting into under expenditure of Kshs 123,194,593 representing 11% of the estimated expenditure. The underfunding and under expenditure may affect implementation of the planned activities and impact negatively on delivery of the project to the public	The Management is in agreement with the auditor's observation. The underutilization was due to slow procurement process and Mobilization of works by the contractors. AWWDA has since addressed the issues and Works are being fast-tracked to recover lost time	Michael Kimotho Chief Manager Finance	Resolved	Resolved
Basis for conclusion Slow Progress of Works	As reported previously, the progress of works has been slow as the Contract for the construction of Kahawa West, Githurai 44 & 45, Kahawa Sukari Reticulation sewer which was awarded at the contract sum of Kshs.2,154,077,998 for a duration of eighteen months (18) from 15 March, 2021 to 14 September, 2022 the works were still incomplete. Physical verification carried out in September 2022 revealed that overall progress of works was only at 27.9% completion level against 18 months or 100% time lapsed of the contract period The status review carried out on the construction of Mwiki and Clay	We are in agreement that there were delays at the start of the projects caused by delays in advance payments as a result of inadequate budgetary allocation. The payments could only be paid after the approval of	Eng Joseph Kamau. Chief Manager Water Works	Resolved	Resolved

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>works reticulation sewers which was awarded at a contract sum of Kshs.1,794,140,606, revealed overall progress stood at 18% against lapse time of 17 months or 98% of the 18 months contract duration from 22 March 2021 to 20 October 2022. No satisfactory explanation has been given for the delays.</p> <p>Further, the status review of Lot 4 construction of East and West of Nairobi reticulation sewers which was awarded at a contract sum of Kshs 1,278,465,431 revealed overall progress stood at about 30% against time lapsed of 14 months or 78% of the eighteen months contract duration from 29th July 2021 to February 2023 No satisfactory explanation has been provided for the delays</p> <p>The implementation of the projects is therefore behind schedule and it is unlikely that the remaining time will be enough to complete the project. Consequently, the programs objectives may not be realized as envisaged</p>	<p>Supplementary II which was available at the end of the financial year.</p> <p>We however confirm that the projects will be completed within the contract period and that there is no risk of interest or penalty charges.</p>			



Name: Eng. Michael M. Thuita, MBS
Chief Executive Officer



Name: Eng. Joseph Kamau
Project Manager

15. Annexes

Annex1 - Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	157,000,000	157,000,000	-	100%	Within Budget
Proceeds from domestic and foreign grants	-	-	-		
Proceeds from borrowings	1,600,000,000	1,486,189,594	113,810,406	93%	Within Budget
Miscellaneous receipts	544,325	544,325	-	100%	Within Budget
Fund balance B/F	3,257,757	3,257,757		100%	Within Budget
Total Receipts	1,760,802,082	1,646,991,676	113,810,406	94%	Within Budget
Payments					
Compensation of employees	-				
Purchase of goods and services	22,000,000	21,543,348	456,652	98%	Within the budget
Social security benefits	-		-		
Acquisition of non-financial assets	1,738,802,082	1,604,956,330	133,845,752	92%	Within Budget
Transfers to other government entities	-		-		
Other grants and transfers	-		-		
Total payments	1,760,802,082	1,626,499,677	134,302,404	92%	Within Budget
Surplus or Deficit	-	20,491,998	- 20,491,998		

Annex 2: Reconciliation of inter-entity transfers

PROJECT NAME:		NAIROBI RIVERS BASIN REHABILITATION AND RESTORATION PROGRAM: SEWERAGE IMPROVEMENT PROJECT PHASE II		
Break down of Transfers from the Ministry of Water, Sanitation and Irrigation				
a.	Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		18-Aug-22	100,000,000	2022-23
		8-May-23	57,000,000	2022-23
		Total	157,000,000	
b.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	AFDB	Various payments	1,453,243,823	2022-23
		Total	1,453,243,823	
c.	Others			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	AFDB	15-Feb-23	32,945,771	2022-23
		Total	32,945,771	
		TOTAL(a+b+c)	1,643,189,594	

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Annex 3a - Analysis of Pending Bills

Contracts	Balance b/f FY 2021/22	Additions for the period	Date Contracted	Amount Paid To-Date	Outstanding Balance 2022/23
			b	c	d=a-c
Construction of civil works					
Construction of Mwiki & Clayworks Reticulation sewers	230,223,787	541,546,605	19th March 2021	601,975,948	169,794,445
Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	191,992,152	285,409,647	3rd February 2021	306,649,592	170,752,207
Construction of east and west of Nairobi reticulation	212,975,271	222,793,720	29th July 2021	326,812,648	108,956,343
Construction of Nairobi Informal settlements water and sanitation lot 5	-	131,411,987	7th Oct 2022	51,540,666	79,871,321
Construction of Dandora Estate waste water treatment plant rehabilitation and duplication plant inlet works	-	306,397,166	16th Jan 2023	-	306,397,166
Sub-Total	635,191,210	1,487,559,126	-	1,286,978,854	835,771,482
Supply of goods					
Upgrade of ICT Systems for Nairobi City Water and Sewerage Company	35,757,584	-	14th October 2020	35,372,791	384,793
Supply and delivery of Operational Vehicles for Nairobi City Water and Sewerage Company	-	-	15th October 2020	-	-
Supply, Delivery, Installation and Commissioning of Laboratory Equipment for Nairobi City Water and sewerage Company	-	-	14th October 2020	-	-
Supply and delivery of 11NO. Trucks for Nairobi City water and sewerage company	-	-	14th October 2020	-	-
Rain Water Harvesting Activities: Supply and Installation of Water Tanks	-	4,911,707	14th April 2022	-	4,911,707
Supply delivery of 4 No. Vacuum Exhauster Trucks for NCWSC	-	111,160,746	14th October 2020	111,160,746	-
Supply delivery of 2 No. Vehicle Mounted sewer Flushing Units	-	92,187,284	14th October 2020	92,187,284	-

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Contracts	Balance b/f FY 2021/22	Additions for the period	Date Contracted	Amount Paid To-Date	Outstanding Balance 2022/23
			b	c	d=a-c
Sub-Total	35,757,584	208,259,737	-	238,720,821	5,296,500
Supply of services					
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	1,101,492	7,985,828	25th June 2020	8,261,202	826,118
Consultancy Services for Design Review and Construction Supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers	16,733,107	29,099,644	14th August 2020	38,869,444	6,963,307
Consultancy Services for Design Review and Construction Supervision of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	27,716,008	30,576,208	16th June 2020	27,849,640	30,442,576
Consultancy services for design review and construction supervision of water and sanitation services for Nairobi Informal settlements	-	8,978,183	27th October 2022	-	8,978,183
Consultancy Services for Water Quality Monitoring and assessment of Nairobi River	-	9,921,176	16th March 2022	4,276,369	5,644,807
					-
Sub-Total	45,550,607	86,561,039	-	79,256,655	52,854,991
Grand Total	716,499,401	1,782,379,901	-	1,604,956,330	893,922,973

Annex 3b - Analysis of Pending: Staff Bills

The project did not have any pending staff bills because the project team comprises AWWDA staff and all their costs are paid by the institution.

Annex 3c - Analysis of other Pending Payables

The project did not have any other pending payable

Annex 4 – Summary of Fixed Assets Register

Asset class	Opening Cost	Donations in form of assets (KShs) 2022/23	*Purchases/ Additions in the Year	**Disposals in the Year (KShs) 2022/23	Transfers in/(out)	Closing Cost (KShs) 2023
	(KShs) 2022/23		(KShs) 2022/23		Kshs 2022/23	
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Goods	289,381,687	-	238,720,821	-	-	528,102,508
Works	1,364,208,051	-	1,286,978,854	-	-	2,651,186,905
services	78,077,904	-	79,256,655			157,334,559
Total	1,731,667,642	-	1,604,956,330	-	-	3,336,623,972

APPENDICES

- i. Bank Reconciliations statement as at 30th June 2023
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement(s)

