

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 14 MAR 2024 DAY: THURS
TABLED BY: Hon Naomi Wago, MP
Deputy Majority Whip
A. Shibusko

PARLIAMENT
OF KENYA
LIBRARY

REPORT

OF

THE AUDITOR-GENERAL

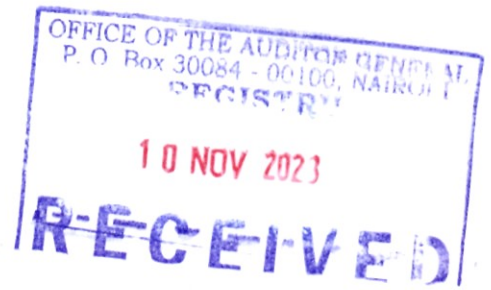
ON

**KENYA TOWNS SUSTAINABLE WATER
SUPPLY AND SANITATION PROGRAM -
CREDIT NO. P-KE-E00-011
(AfDB LOAN NO.200200000501)**

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

**ATHI WATER WORKS DEVELOPMENT
AGENCY**





PROJECT NAME:
KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM
IMPLEMENTING ENTITY:
ATHI WATER WORKS DEVELOPMENT AGENCY
PROJECT /CREDIT NUMBER: P-KE-E00-011

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)

Table Contents

Page

1. Acronyms and Glossary of Terms	ii
2. Project Information and Overall Performance.....	iii
3. Statement of Performance against Project's Predetermined Objectives	xxii
4. Environmental and Sustainability reporting	xxiii
5. Statement of Project Management responsibilities.....	xxxiv
6. Report of the Auditor General on Financial Statements for Kenya Towns Sustainable Water Supply and Sanitation Program	xxxvii
7. Statement of Receipts and Payments for the year ended 30th June 2023.....	1
8. Statement of Financial Assets as at 30 th June 2023.....	3
9. Statement of Cashflow for the year ended 30th June 2023.....	4
10. Statement of Comparison of Budget and Actual amounts for year ended 30 th June 2023	6
11. Significant Accounting Policies.....	7
12. Notes to the Financial Statements.....	14

1. Acronyms and Glossary of Terms

ADF	African Development Fund
AfDB	African Development Bank
AWWDA	Athi Water Works Development Agency
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
CWWDA	Coast Water Works Development Agency
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MIC TAF	Middle Income Countries Fund
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
TAWWDA	Tanathi Water Works Development Agency
WRA	Water Resources Authority
WASREB	Water Services Regulatory Board

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Kenya Towns Sustainable Water Supply and Sanitation Program.

Objective

The key objective of the program is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns within Athi, Tanathi and Coast Water Works Development Agencies' areas of jurisdiction.

Address

The project headquarters offices are Nairobi, 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,
Off Kiambu Road,
NAIROBI.

Contacts: The following are the project contacts

P.O. Box: 45283-00100, Nairobi
Telephone: (254) 0202724292/3
E-mail: info@awwda.go.ke
Website: www.awwda.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 9th January 2017
Project End Date:	The project initial end date was 31st December 2021 , it was extended initially to 31st December 2023 and later to 31st December 2025
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsor is the African Development Bank (AfDB)

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-E00-011
Strategic goals of the project	The strategic goals of the project are as follows: The main objective of the program is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns in the Athi Cluster's area
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> (i) Development of water and waste water infrastructure in Limuru, Kikuyu , Kiambu, Kitui, Machakos, Mombasa and Malindi. (ii) Undertake institutional development for AWWDA, TAWWDA, CWWDA, WASREB and WRA (iii) Climate adaptation support for AWWDA, TAWWDA, CWWDA
Other important background information of the project	The Kenya Towns Sustainable Water Supply and Sanitation Program project covers the whole country, covering the nine water works development agencies, Water services Regulatory Authority and Water resources Authority, but with only three water works development agencies as the implementing agencies. Athi Water Works Development Agency (AWWDA) is implementing agency for projects within areas covered by AWWDA, Coast, Tanathi WWDA, Water Services Regulatory Authority (WASREB) and Water Resources

Authority (WRA). Athi (AWWDA) will lead the implementation of sub-projects within Athi, Tanathi and Coast WWDAs areas. The consortium of the five institutions is referred to as 'The Athi Cluster'.

Subsequently, AWWDA entered in to implementation agreements with CWWDA and TAWWDA whereby the project execution roles are shared by the three agencies. The project has four facilities namely: The ADB loan, the ADF loan, ADF Grant, and MIC TAF grant.

- AWWDA and CWWDA were beneficiaries of the ADB loan only
- WASREB and WRA were beneficiaries of ADF loan only
- TAWWDA benefited from ADB loan, ADF loan, ADF grant and MIC TAF grant
- AWWDA was also tasked to be in charge of the panel of experts responsible for the review of the dams being designed under the project across the country. The budget for the panel of experts is financed under the ADF loan.

The table below gives a breakdown of the budget allocations per agency per facility

ATHI CLUSTER BUDGET PER AGENCY PER FACILITY	
	Budget Amount (Kshs)
ADB loan	
AWWDA	6,119,577,734
TAWWDA	5,211,725,247
CWWDA	1,137,902,029
	12,469,205,010
ADF LOAN	
WASREB	76,000,000
WRA	35,000,000
AWWDA-PANEL OF EXPERTS	41,580,764
TAWWDA	141,950,000
	294,530,764
ADF GRANT	
TAWWDA	51,476,267
MIC TAF GRANT (Grant is in USD 497,275)	
TAWWDA	51,476,267

In addition to the above loan, the government of Kenya is required to:

- Finance additional cost of approximately Kshs. 2 Billion for implementation of Resettlement Action Plans and land acquisition
- Pay any taxes either in the form of actual payment or through tax exemption
- Finance any operational costs that will be incurred during project implementation

***Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023***

Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) To support water supply infrastructure in 1 town and sanitation infrastructures in 4 towns, providing more than 100,000 people with reliable and sustainable water supply services and more than 250,000 people with water-borne sewerage systems (ii) To create more than 2000 jobs during and after the construction
Project duration	8 Years

Project Information and Overall Performance (Continued)

2.4 Bankers

The donor funding is wholly direct payment and there was no project account opened. AWWDA got an approval from the National Treasury to open development fund account for efficient management of all the project's GoK counterpart funds. The Gok Counterpart funds are monitored and accounted for by the use of a fund accountability statement. The development was opened at:

The following are the bankers for the project:

- (i) NCBA Bank
Ridgeways Branch
- (ii) Kenya Commercial Bank
Kipande Branch
- (iii) Cooperative Bank of Kenya
Ridgeways Branch

2.5 Independent Auditor

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

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

Names	Title designation	Key qualification	Responsibilities
Eng. Michael M. Thuita, MBS	Chief Executive Officer	Bsc, Agricultural Engineering, IEK	Accounting Officer
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	DBA, MBA, CPA-K	Project accountant
Ann Gacheri	Principal Procurement Officer	MBA	Project procurement officer

2.7 Funding summary

The project duration was for four years from 2017 to 2021 it was initially extended by 2 years to December 2023 and was later extended by another 2 years to December 2025, with an approved budget of donor financing totalling to UA 89,750,732 broken down into: ADB loan (UA 86,983,974) equivalent to Kshs 12,469,205,011, ADF loan (UA 2,054,618) equivalent to Kshs 294,530,764, ADF grant (UA 359,093) equivalent to Kshs 51,476,267 and MIC TAF grant (UA 353,046) equivalent to Kshs 50,609,342. The GoK counterpart financing for the project was Kshs 2 Billion equivalent to UA 13,951,808; it was meant to finance land compensation, project operation costs and taxes (through exemptions). The table below gives the funding summary per agency, per facility.

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30/06/2023)		Undrawn balance to date (30/06/2023)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
ADF Grant-TAWWDA	359,093	51,476,267	291,016	41,717,309	68,078	9,758,958
MIC-TAF Grant TAWWDA	353,046	50,609,342	291,016	41,717,309	62,030	8,892,033
(ii) Loan ADB						
AfDB-AWWDA	42,689,585	6,119,577,734	26,130,455	3,745,816,417	16,559,130	2,373,761,317
AfDB-TAWWDA	36,356,494	5,211,725,247	13,448,140	1,927,798,944	22,908,354	3,283,926,304
AfDB-CWWDA	7,937,895	1,137,902,029	4,038,047	578,856,473	3,899,848	559,045,556
Sub-total ADB loan	86,983,974	12,469,205,011	43,616,642	6,252,471,834	43,367,332	6,216,733,177
(iii) Loan ADF						
ADF-AWWDA	290,063	41,580,764	188,883	27,076,421	101,181	14,504,343
ADF-TAWWDA	990,230	141,950,000	462,863	66,351,630	527,367	75,598,370
ADF-WASREB	530,169	76,000,000	53,304	7,641,228	476,864	68,358,772
ADF-WRA	244,157	35,000,000	275,922	39,553,574	- 31,765	-4,553,574
sub-total ADF loan	2,054,618	294,530,764	980,971	140,622,852	1,073,647	153,907,912
(iv) Counterpart funds						
Government of Kenya	13,951,808	2,000,000,000	4,214,307	604,123,500	9,737,500	1,395,876,500
Interest on Bank Deposits			296	42,365		-42,365
Sub-Total	13,951,808	2,000,000,000	4,214,603	604,165,865	9,737,500	1,395,834,135
Total	103,702,540	14,865,821,383	49,394,249	7,080,695,169	54,308,587	7,785,126,214

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30/06/2023)		Cumulative Amount Paid to date – (30/06/2023)		Unutilised balance to date (30/06/2023)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
ADF Grant-TAWWDA	291,016	41,717,309	291,016	41,717,309	0	0
MIC-TAF Grant TAWWDA	291,016	41,717,309	291,016	41,717,309	0	0
(ii) Loan ADB	0					
AfDB-AWWDA	26,130,455	3,745,816,417	26,130,455	3,745,816,417	0	0
AfDB-TAWWDA	13,448,140	1,927,798,944	13,448,140	1,927,798,944	0	0
AfDB-CWWDA	4,038,047	578,856,473	4,038,047	578,856,473	0	0
Sub-total ADB loan	43,616,642	6,252,471,834	43,616,642	6,252,471,834	0	0
(iii) Loan ADF						
ADF-AWWDA	188,883	27,076,421	188,883	27,076,421	0	0
ADF-TAWWDA	462,863	66,351,630	462,863	66,351,630	0	0
ADF-WASREB	53,304	7,641,228	53,304	7,641,228	0	0
ADF-WRA	275,922	39,553,574	275,922	39,553,574	0	0
sub-total ADF loan	980,971	140,622,852	980,971	140,622,852	0	0
(iv) Counterpart funds						
Government of Kenya	4,214,307	604,123,500	3,868,479	554,548,761	345,829	49,574,739
Interest on Bank Deposits	296	42,365				42,365
Sub-Total	4,214,603	604,165,865	3,868,479	554,548,761	345,829	49,617,104
Total	49,394,249	7,080,695,169	49,048,124	7,031,078,065	345,829	49,617,104

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

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

The project had an allocated budget of Kshs 2.822 billion comprising of Kshs 2.822 billion donor and Kshs 100million GoK. During supplementary II the GoK budget was reduced by Kshs.25 million while the donor budget was retained. The overall budget absorption rate for the reporting period was 71% and 70% cumulatively.

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

CONTRACTS UNDER AWWDA				
PROJECT	SCOPE	TIMELINES	PROGRESS	CHALLENGES
Gatundu water supply and sewerage project	<ul style="list-style-type: none"> Laying of 30km of trunk, reticulation sewers and sanitation blocks, Construction of 2,769m³/d waste stabilization ponds. Construction of 3Nr water schemes Construction of 9,000m³/d water treatment plant Laying of 25km of HDPE water distribution network <p>Cost of Contract Kshs 1,750,800,775.34 exclusive of VAT.</p>	<p>Start Date: 8th February 2019</p> <p>End Date: 17th September 2023</p>	<p>Progress at 60%</p> <ul style="list-style-type: none"> 22km sewers have been laid Handege works at 36% Ngenda works at 15% Ruabura works at 17% Office block at 90% 	<ul style="list-style-type: none"> Laying of 30km of trunk, reticulation sewers and sanitation blocks, Construction of 2,769m³/d waste stabilization ponds. Construction of 3Nr water schemes Construction of 9,000m³/d water treatment plant Laying of 25km of HDPE water distribution network
Kiambu/Ruaka water supply and sewerage project	<p>Laying of 108km of sewers and sanitation Blocks</p> <p>Laying of 50km of water lines,</p> <p>Construction of Kiameru Water Scheme 4000m³/d</p> <p>Drilling and Equipping of 6 Nr Boreholes and elevated steel tanks</p> <p>Cost of Contract Kshs 1,292,917,545.01 exclusive of VAT</p>	<p>Start Date: 7th January 2019</p> <p>End Date: 7th October 2023</p>	<p>Progress at 88%</p> <p>86.4km sewers have been laid</p> <p>35 km of water distribution networks have been completed</p> <p>2.9km of raw water pipeline</p>	<ul style="list-style-type: none"> Hard rock excavation on the Micro-tunnel across the Southern Bypass.

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

CONTRACTS UNDER AWWDA				
PROJECT	SCOPE	TIMELINES	PROGRESS	CHALLENGES
			<p>2 Nr Boreholes have been operationalized</p> <p>Kiameru intake works ongoing</p> <p>Kiameru Treatment Works commenced – staff houses, administration and chemical building construction ongoing</p>	
Limuru water supply and sewerage project	<ul style="list-style-type: none"> • Rehabilitation of existing Limuru STW and upgrading existing sewerage network, • Construction of a new Sewage Treatment Works, • Extension of sewerage network by 31Km new sewers • Construction of 20km, water distribution network. <p>Cost of Contract Kshs 576,508,513.11 exclusive of VAT</p>	<p>Start Date: 10th December 2018</p> <p>End Date:20th August 2023</p>	<p>Progress at 89%</p> <ul style="list-style-type: none"> • Laying of sewers completed. • Water distribution networks have been completed. • STP – completed all civil works Rehabilitation works on the Existing Plant is complete. • Supply and delivery of E&M equipment ongoing. Scrapers delivered to site. • Installation of electrical works ongoing. • Drainage works for the STP ongoing 	<ul style="list-style-type: none"> • Delay in delivery of E&M equipment
Kikuyu water supply and sewerage project	<ul style="list-style-type: none"> • Laying of 43.5km of sewers and Sanitation blocks. • Laying of 19km of HDPE water distribution network,, 	<p>Start Date: 10th November 2018</p>	<p>Project substantially complete (95%)</p> <ul style="list-style-type: none"> • 42.4km sewers have been laid 	<ul style="list-style-type: none"> • Hard rock excavation on the Micro-tunnel across the Southern Bypass.

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

CONTRACTS UNDER AWWDA				
PROJECT	SCOPE	TIMELINES	PROGRESS	CHALLENGES
	<ul style="list-style-type: none"> Drilling and Equipping of 6 Nr Boreholes and elevated steel tanks <p>Cost of Contract Kshs 635,993,481.75 exclusive of VAT</p>	End Date: 23 rd May 2023	<ul style="list-style-type: none"> 17.8 km of water distribution networks have been completed 3Nr Boreholes have been drilled. 2Nr Borehole have been equipped 	
Makutano Water and Sewerage Project	<p>Makutano Sewerage</p> <p>Laying of 12.5km of 600/450/300 dia. PCC trunk sewer pipeline, Sewerage treatment plant of capacity 3,000m³/d (Phase 1), 15.5km of reticulation sewers and provision of 1000 household sewer connections. Also, rehabilitation of the Ablution block in Kangari market</p> <p>Makutano/Kenol Water Supply</p> <p>Laying of 34.9km, 200mm dia. and 11.0km, 160mm dia. HDPE treated water pipeline, construction of 2no. 250m³ masonry tank and Laying of 152km of distribution pipelines in underserved areas within the Murang'a</p> <p>Cost of Contract Kshs 689,651,517.67 exclusive of VAT</p>	<p>Start Date: 9th October 2020</p> <p>End Date: 31st December 2023</p>	<p>Progress at 63%</p> <ul style="list-style-type: none"> 186.7km of water pipelines have been laid Tank works at 41% completion 8.5km of sewer pipeline laid WWTP done up to 19% 	<ul style="list-style-type: none"> Delayed in payments to the contractor

Goods-AWWDA

Project Name	Project Scope	Progress to date	Challenges
Supply and delivery of Office equipment for AWWDA	The contract was signed at a contract sum of Kshs 15,821,483 exclusive of taxes. It was for supply of office equipment including office laptops, desktops and printers	The contract is completed	None

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Name	Project Scope	Progress to date	Challenges
Supply, Delivery and Installation of an Integrated Enterprise Planning (ERP) System for Athi Water Services Board	The contract was awarded on 22 nd February 2019 at a contract sum of Kshs 51,724,137.93 exclusive of VAT being the supply and delivery of ERP and all the necessary hardware.	Contract is on course, Implementation on-going	None
Supply and delivery of 3 No. vehicle mounted sewer flushing units	The supply was awarded at a contract price of Euros 638,000 exclusive of taxes	The sewer flushing units are already supplied, the payments are being processed	None
Supply and delivery of Non-Revenue water management equipment	The contract was awarded at a contract price of Kshs 145,569,449.72 exclusive of taxes on 13 th March 2020;	The contract is completed	None

Consultancies-AWWDA

Project Name	Consultancy Scope	Progress to date	Challenges
Consultancy Services for Design Review and Supervision of Gatundu Water Supply and Sewerage Project	Design review, tender documentation and construction supervision of water and sewerage works Consultancy period is 37 Months Cost of Contract Kshs 102,580,770.00 exclusive of indirect taxes	Consultant has submitted a claim for additional costs for designs and supervision amounting to Kshs 90,916,794.74 which is under review Total payments processed – Kshs 63,322,207.50 - 62%	None
Consultancy Services for Design Review and Supervision of Limuru and Kikuyu Water Supply and Sewerage Project	Design review, tender documentation and construction supervision of water and sewerage works Consultancy period is 37 Months Cost of Contract Kshs 101,754,530.00 exclusive of indirect taxes	Consultant has submitted a claim for additional costs for designs and supervision amounting to Kshs 155,432,670.00 which is under review Total payments received – Kshs 83,719,736 - 82%	None
Consultancy Services for Design Review and Supervision of Kiambu and Ruaka Water supply and Sewerage Project	Design review, tender documentation and construction supervision of water and sewerage works Consultancy period is 37 Months Cost of Contract Kshs 83,263,530.00 exclusive of indirect taxes	Consultant has submitted a claim for additional costs for designs and supervision amounting to Kshs 116,303,333.00 which is under review	None

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Name	Consultancy Scope	Progress to date	Challenges
		Total payments received – Kshs 69,037,735.80 – 83%	
Consultancy Services for Design Review and Supervision of Makutano water and sanitation project	Design review, tender documentation and construction supervision of water and sewerage works. The cost of the contact Kshs 74,115,000.00 exclusive of VAT	Consultant has submitted a claim for additional costs for designs and supervision amounting to Kshs 45,375,166.67 which is under review Total payments received – Kshs 41,232,750 - 55%	None
Consultancy Services for Environmental & Social Compliance Audit	Consultancy Services for Environmental & Social Compliance Audit	Contract signed and provision of services commenced	None
Consultancy Services for Baseline and Customers Identification Survey for Kenya Towns Sustainable Water and Sanitation Services – Athi Cluster	Consultancy Services for Baseline and Customers Identification Survey for Kenya Towns Sustainable Water and Sanitation Services – Athi Cluster	Services ongoing. Inception Report and Agreed reporting protocols has been shared. Payments processed – Kshs. 2,917,528.75	Delay in processing of payments (currently IPC 1&2 at NT)
Consultancy Services for Evaluating Faecal Sludge Management (FSM) Institutional Arrangements, Service Delivery Mechanisms and Preparation of FSM Institutional Framework for Mavoko, Kitengela, Ngong, Kajiado and Ongata Rongai Townships	Consultancy Services for Evaluating Faecal Sludge Management (FSM) Institutional Arrangements, Service Delivery Mechanisms and Preparation of FSM Institutional Framework for Mavoko, Kitengela, Ngong, Kajiado and Ongata Rongai Townships	Contract signed and provision of services commenced	None
Monitoring and Evaluation of Kenya Towns- Athi Cluster Projects	Monitoring and Evaluation of Kenya Towns- Athi Cluster Projects Start Date: November 2021 End Date: December 2023 Cost: Kshs 13,040,000	Provision of services ongoing Total payments received – Kshs 7,235,180 - 30%	None

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Name	Consultancy Scope	Progress to date	Challenges
Project Communication & Documentary	Project Communication & Documentary Start Date: August 2019 End Date: December 2023 Cost: Kshs 33,504,343	Total payments processed – Kshs 5,025,651 - 15%	Consultancy facing implementation challenges. Currently under termination.
Development of County Atlases (Kericho, Kajiado and Embu) for WASREB	Development of County Atlases (Kericho, Kajiado and Embu) for WASREB Start Date: September 2021 End Date: May 2023 Cost: Kshs 5,000,000.00.	Provision of services ongoing the consultant has submitted the inception report. Draft report and maps of all schemes under review by WASREB Total payments received – Kshs 1,000,000 - 20%	Contract facing implementation challenges

Independent Panel of Experts-AWWDA

	Consultancy Scope	Progress to date	Challenges
IOANNIS KARAVOKYRIS	The Independent Panel of Experts is on course Amounts disbursed by the IPE's for certificates 1-4 are; Ioannis Karavokyris- Kshs 4,270,695.43 Angelina Nduta- Kshs 1,767,806.00 George T. Dounias- Kshs 4,428,002.58 Ljiljana Spasic-Gril- Kshs 10,159,383.23	<ul style="list-style-type: none"> 6th Mission Report submitted and shared. 	<ul style="list-style-type: none"> The contract is on course
ANGELINA NDUTA			
GEORGE T. DOUNIAS			
LJILJANA SPASIC-GRIL			

Progress projects in TAWWDAs area

Project Name	Project Scope	TIMELINES	Progress to date	Challenges
	Works			
Machakos Water Supply Project	<p>Scope of works</p> <ul style="list-style-type: none"> • Construction of Miwongoni 15 m high Earth fill Weir with, storage capacity 1.6 Mm³. • New Miwongoni Treatment Works of capacity 10,000m³/d. • 77 km raw and treated water mains. • 2nr Storage tanks • Rehabilitation works for Maruba Dam and Treatment works. • Installation of 3000 customer connections <p>Cost – Kshs 1,070,693,554.13</p>	<p>Start Date: 8th March,2021</p> <p>End Date:20th Decembe, 2023</p>	<ul style="list-style-type: none"> • Progress at 57% • Works ongoing for Maruba WTP- 95% • 3No. Water storage tanks at 66% completion • Laid 62km of pipes • Works at Machakos water office substantially complete 	<ul style="list-style-type: none"> • Delays in Land Acquisition of site for the Miwongoni dam
Machakos Sewerage Project Scope of works	<p>Scope of works</p> <ul style="list-style-type: none"> • Construction of 1 No. wastewater treatment plant capacity 10,500m³/day • Laying of 60km trunk and lateral lines within Machakos Town and Environs • Rehabilitation of the existing sewer networks • Construction of 4 Nr. Sanitation Blocks • 2,000 individual sewer connections <p>Cost: Kshs 840 Million</p>	<p>Start Date: 15th June,2020</p> <p>End Date: 14th July, 2024</p>	Works ongoing, currently at 31% progress	<ul style="list-style-type: none"> • Hard rock excavation along the trunk sewer alignment
Mwala – Mbiuni Water Supply and Sewerage Project	<p>Scope of works</p> <p>Mwala – Mbiuni Water Supply and Sewerage Project Scope of Works 1.65m RC Weir</p>	<p>Start Date: 1st April 2019</p> <p>End Date:5th August 2021</p>	Works stalled at 3% and termination of the contract concluded.	None

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project Name	Project Scope	TIMELINES	Progress to date	Challenges
	120km Water Line Construction Storage tanks Kshs 576,508,513.11 exclusive of VAT		Final settlement of accounts paid to the contractor. Works readvertised on 25th April 2023 New contractor procured concluding the award process	
Last mile connectivity (Kitui and Matuu)	Scope of works 40km water distribution lines 40km Sewer lines Cost – Kshs 860m	Start Date: July 2020 End Date: 31st December 2023	Progress at 44% 97.8km of water distribution lines have been laid. Construction of Matuu water treatment plant at 50% complete Construction of Unoa-Wote water tank at 90% progress Termination of works commenced	<ul style="list-style-type: none"> Slow progress of works by the contractor

Consultancies		
Project name	Progress	Challenges
Feasibility study, detailed design and tender documentation for Mwanja/Miwongoni	. Feasibility study is complete. Geotechnical studies and preliminary designs have commenced. The contract is on course, Draft detailed designs completed. Total payments received – Kshs 55,170,000.00 – 60%.	None
Consultancy for Oloolotikosh-Kitengela - Kajiado water supply and sanitation project. Oloolotikosh Dam water supply studies	Feasibility study complete and Preliminary designs complete. The contract is on course, Draft Detailed designs completed. Sewerage Designs Ongoing. Total payments received – Kshs 88,126,497.36 – 86%	None
Consultancy services for design and supervision of Mwala cluster water and sanitation.	The consultancy was tied to the works contract and the provision of services for stopped after termination of works. Negotiations have started on re-engaging the Consultant. Total payments received – Kshs 34,479,120 - 44%	The consultancy could not progress owing to the demobilization of the contractor
Consultancy services for design review and construction supervision of Machakos water and sewerage works.	The contract is on course. Total payments received – Kshs 51,183,550 and 260,990 - 51% & 68%.	None

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Consultancies		
Consultancy Services for Design Review and Supervision of Kitui and Matuu Towns Last mile connectivity for Water Supply and Sanitation Works.	Provision of services for supervision stopped by the consultant and handed over to TAWWDA Total payments received – Kshs 32,265,550 - 45%.	None
Consultancy Services for Carrying out Feasibility Studies for proposed Ongata Rongai, Ngong and Mavoko Sewerage Infrastructure Project in Tanathi Water Works Development Agency Area	Final design report submitted. ESIA/RAP report under preparation. Total payments processed – Kshs 26,090,470 - 70%	None
Goods		
Supply, Delivery and Installation of an Integrated Enterprise Planning (ERP) System for Tanathi Works development Agency (formerly Tanathi Water Services Board).	The contract is on course and had disbursed up to Kshs 43,465,517.25	None

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Progress of contracts under CWWDA's area

Project Name	Project Scope	Timelines	Progress to date	Challenges
Works				
Construction of changamwe repooling water works	<p>Scope of works</p> <p>Rehabilitation of approx. 800m of trunk mains</p> <p>Rehabilitation of approx. 9km secondary sewer network</p> <p>Extension of secondary sewer network- Approx. 6 km</p> <p>Construction of approx. 303 No. manholes</p> <p>Cost – Kshs 204,483,295</p>	<p>Start Date: 14th December 2018</p> <p>End Date: 14th January 2022</p>	<p>Stalled at 20%</p> <p>3.1km sewers have been laid</p> <p>73 Nr. Manholes have been constructed.</p> <p>Arbitration ongoing - Preparation for case presentation ongoing.</p>	<p>Abandonment of site</p> <p>Project under arbitration process.</p>
Pemba Water Supply Project	<p>Scope of works</p> <p>Rehabilitation of pemba weir and construction of a water treatment Plant of 3,000m³/d. Cost – Kshs 286,801,675.00</p>	<p>Start Date: 13th December 2018</p> <p>End Date: 20th February 2023</p>	<p>Project substantially complete (99%) and operational</p> <p>Procurement of laboratory equipment ongoing</p>	<p>Delayed application for specific tax exemptions.</p>
Construction Works For Water Distribution For Malindi/Watamu	<p>Construction of Water Distribution pipelines (90mm - 400mm, Approx. 26kms)</p> <p>Household connections approx. 300</p>	<p>Start Date: 26th August 2020</p> <p>End Date: 26th December 2023</p>	<p>Progress at 89%</p> <p>33km of water distribution pipelines have been laid.</p> <p>Fittings delivered and installed</p>	<p>Inadequate mobilization by the contractor</p>
Services				
Consultant Name		Details		
Interconsult Consulting Engineers		<p>Consultancy Services for Design Review and Supervision of Pemba and Changamwe re-pooling Water supply and Sewerage Project. The contract disbursed up to Kshs 39,060,000.00 for certificates 1-6</p>		Contract on course
Interconsult Engineers Limited		<p>Consultancy Services for Design Review and Supervision of Watamu project. The contract is on course and had disbursed up to Kshs 15,610,000.00 for certificate 1-6.</p>		Contract on course

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

iii. Indicate the absorption rate for each year since the commencement of the project.

The table below gives a detailed account of the absorption rates since the commencement of the project:

Financial Year	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Budget (Kshs)	1,841,623,500	1,650,000,000	1,925,000,000	1,896,000,000	2,797,000,000	10,109,623,500
Utilization (Kshs)	1,148,706,307	1,056,326,353	1,411,899,171	1,431,998,611	1,982,182,935	7,031,113,376
Absorption Rate	62%	64%	73%	76%	71%	70%

iv. List the implementation challenges and recommended next steps.

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.

The key development objectives of the Kenya Towns Sustainable Water Supply and Sanitation Program-Athi cluster is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns in the Athi cluster's areas of jurisdiction.

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
Kenya Towns Sustainable Water Supply and Sanitation Program	To improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns	1000km	Length of water pipes laid	362
		20	No of water treatment plants constructed/upgraded	5
		17	No. of intake structures constructed /rehabilitated	2
		500km	Length of sewer pipes laid	244
		17	No. of waste water treatment plants constructed/upgraded	2
		67	No. of ablution blocks constructed	5
		11, 19	No. of laboratories constructed, supplied with equipment	1
		7	No. of exhausters procured	0
		800 (at least 30% women)	No. of WSP/WSB staff trained	0
		20	No. of climate mainstreamed WSP business plans developed/revised (gender-informed)	0
		12	No. of studies prepared for future investments	0

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).

Programmes 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 submit 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 utilisation of services
- Use of gender sensitive information
- Equal treatment is integrated for both men and women is practised

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 honoured 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 favour 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 in 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 and the **Project Coordinator** for **Kenya Towns Sustainable Water Supply and Sanitation Program** 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, Athi Water Works Development Agency and the *Project Coordinator* for **Kenya Towns Sustainable Water Supply and Sanitation Program** 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.

Th The Chief Executive Officer, Athi Water Works Development Agency and the *Project Coordinator* for **Kenya Towns Sustainable Water Supply and Sanitation Program** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The Chief Executive Officer, Athi Water Works Development Agency and the *Project Coordinator* for **Kenya Towns Sustainable Water Supply and Sanitation Program** 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, Athi Water Works Development Agency and the *Project Coordinator* for **Kenya Towns Sustainable Water Supply and Sanitation Program** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year 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 Manager* for Kenya Towns Sustainable Water Supply and Sanitation Program on 31st August 2023 and signed by:



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



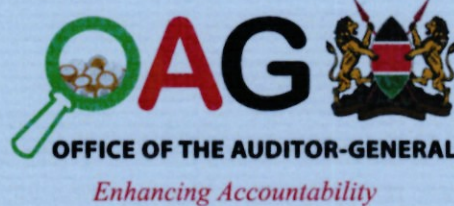
.....
Eng. Joseph Kamau
Project Manager



.....
Dr. Christine Mawia Julius
Project Accountant
ICPAK Member No: 6458

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM - CREDIT NO. P-KE-E00-011 (AfDB LOAN NO.200200000501) 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 Kenya Towns Sustainable Water Supply and Sanitation Program Credit No. P-KE-E00-011 set out on pages 1 to 38, 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 comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Towns Sustainable Water Supply and Sanitation Program - Credit No. P-KE-E00-011 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 No.2000200000501 dated 9 January, 2017 between the African Development Bank and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Towns Sustainable Water Supply and Sanitation Program - Credit No. P-KE-00-011 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 comparison of budget and actual amounts for the year ended 30 June, 2023 reflects final receipts budget of Kshs.3,194,516,759 and actual on comparable basis of Kshs.2,031,809,471 resulting to underfunding of Kshs.1,162,707,288 or 36% of the budget. Similarly, the project spent Kshs.1,982,192,759 out of the approved expenditure budget of Kshs.3,194,516,759 resulting in an under expenditure of Kshs.1,212,324,391 or 38% of the budget.

The under-funding and under-expenditure affected the planned project's activities and may impacted negatively on service delivery.

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

1.0 Stalled Projects

1.1 Construction of Kitui and Matuu Towns Last Mile Connectivity of Water and Sanitation Project

The contract No. AWSSB/AFDB/KTSWSSP/W08-A2018 for construction of Kitui and Matuu Towns Last Mile Connectivity of Water and Sanitation Project, was awarded to a contractor at contract sum of Kshs.860,005,430.89. The contract was to commence on 11 March, 2020 with an expected completion date of 11 March, 2022. As at 14 March, 2022 the value of works done was Kshs.243,256,720.56. Review of the documents provided for audit revealed that the contractor had abandoned site and the contract was in the process of being terminated due to slow execution of works.

Further, as at March 2022, the contractor had been paid an amount of Kshs.478,350,898.91 which included advance payment of Kshs.153,344,130. However, Athi Water Works had performance security bond which could not guarantee the recovery of the paid amounts. Physical verification carried out in October, 2023 revealed that the project had stalled.

In the circumstances, the value for money for the expenditure amount of Kshs.478,350,898.91 may not be realized.

1.2 Changamwe Re-pooling Sewer Network

As reported in the previous year's report, construction of Changamwe Re-pooling Sewer Network; Contract No. AWSB/AFDB/KTSWSSPNV/09/2018 was awarded to a company at a contract sum of Kshs.204,483,295. The contract commencement date was 14 December, 2018 with an expected completion date of 14 June, 2020, which was later extended to 14 January, 2021. As at 30 June, 2023, the contractor had been paid Kshs.72,816,261.

However, review of the documents presented for audit revealed that the project had stalled due to a court order issued on a lawsuit by the contractor against the AWWDA for breach of contractual agreement that restrained the Agency from evicting the Contractor from the construction site and appointing another contractor to proceed with the implementation of the works, pending the hearing and determination of the suit. As at the time of the audit the matter has been referred to arbitration.

Further, physical verification carried out in October, 2023 revealed that manholes constructed had been vandalized and filled with litter, an indication that the project will require additional costs. In addition, the piping works were done for about 3km out of the expected 15km, while the overall work completed was estimated to be about 15%. It is therefore not clear if the works will be completed due to the ongoing lawsuit.

In the circumstances, the value for money for the expenditure amount of Kshs.72,816,261 may not be realized.

2.0 Slow Implementation of Projects

2.1 Makutano Water Supply and Sewerage Project

The statement of receipts and payments as disclosed in Note 12.8 to the financial statements reflects an amount of Kshs.965,526,309 with respect to the acquisition of non-financial assets-AWWDA which includes Kshs.888,530,439 for construction of civil works, out of which Kshs.167,947,888 was paid to a contractor for the construction of Makutano Water Supply and Sewerage Project. The contract for the works was awarded to a contractor at a contract sum of Kshs.689,651,518 with a commencement date of 09 September, 2020 and an expected completion date of 08 April, 2021 which was later extended to 31 December, 2023.

However, physical verification of the project done in October, 2023, revealed that the overall project progress was at 63% against a time-lapse of 95% or about 2 months to the end of the project duration. It is unclear when the project will be completed as some work components in the waste stabilization pond such as anaerobic pond and maturation pond had not started.

In the, circumstances, the value for money for the expenditure amount of Kshs.167,947,888 may not be realized.

2.2 Machakos Water Supply Project

Further, the acquisition of non-financial assets-TAWWDA expenditure of Kshs.351,157,378 includes an amount of Kshs.299,379,178 for the construction of civil works as disclosed in Note 12.8.1, to the financial statements, out of which Kshs.163,551,943 was paid to a firm for the construction of Machakos Water Supply Project.

However, review of the project documents and physical inspection done in October, 2023 revealed that the overall project progress was at 57% and some work components including source works, raw water mains, rising mains, gravity transmission mains and electrical mechanical water supply had not been completed with the delay being attributed to a lawsuit filed by Project Affected Persons (PAPs) which required all project works to be stopped. The case was set aside on 29 January, 2021 and a resumption order was issued to the Contractor on 08 March, 2021 except for the Miwongoni dam site.

As reported in the previous year, even though the AWWDA is undertaking engagements with (PAPs) in a bid to acquire land for the dam site and the National Land Commission (NLC) is finalizing on the valuation report after which compensation will begin, the process has taken long, and this may lead to several works not being completed within the contract period which may lead to cost overruns.

In the circumstances, the value for money for the expenditure amount of Kshs.163,551,943 may not be realized.

2.3 Machakos Sewerage Project

Further, the amount of Kshs.Kshs.299,379,178 for the construction of civil works as disclosed in Note 12.8.1 to the financial statements includes Kshs.89,367,307 paid to a Contractor for the construction of the Machakos Sewerage Project. However, review of the project documents and physical inspection done in October, 2023 revealed that some work components including sewage treatment plant, consumer connections sewer, electro-mechanical sewerage and rehabilitation works were ongoing or not started due to delays in acquisition of the sewer treatment plant land. The projects overall progress was at 55% as at June, 2023 with a revised extension of completion date to 14 June, 2024.

In the circumstances, the value for money for the expenditure amount of Kshs.89,367,307 may not be realized.

2.4 Construction Works for Water Distribution for Malindi/Watamu Project

The statement of receipts and payments as disclosed in Note 12.8.2 to the financial statements reflects an amount of Kshs.158,969,243 in respect to acquisition of non-financial Assets-CWWDA which includes Kshs.30,057,160 paid to a contractor for the construction of water distribution line for Malindi/Watamu. The contract sum was Kshs.288,793,278 effective 26 August, 2020 and the expected completion date was 26 February, 2022 which was later extended to 25 November, 2022. As at the time of the audit in October, 2023 the works were substantially complete. However, physical verification carried out in October, 2023 revealed that the water pipeline constructed especially in the Mkaomoto and Gede areas has been encroached on by residents and may result in illegal connections and damage to the pipeline.

Further, the contract's bills of quantities include nine thousand one hundred (9,100) meters of consumer connections to the newly constructed line, however, only two thousand three hundred and eight two (2,382) meters representing 26% of total works have been connected as at the time of the audit. Review of documents provided for audit

revealed that the Contractor and Malindi Water and Sewerage Company (MAWASCO) were having challenges identifying and connecting existing customers on the old pipeline to the new pipeline due to illegal connections since the said customers were not in the MAWASCO database. Measures being taken if any to prevent encroachment of the pipeline and ensure connections for those not in the database was not provided for audit review.

In addition, though the project was 93% complete with the last Interim Payment Certificate (IPC) No.6) having been paid to the contractor on 27 June, 2023, no Certificate of Partial Completion (CPC) had been issued as at the time of audit in October, 2023.

In the circumstances, the value for money for the expenditure amount of Kshs.30,057,160 may not be realized.

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 else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the provisions of the Financing Agreement - Credit No: P-KE-E00-011 dated 9 January, 2017 between the African Development Bank 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 Program, so far as appears from the examination of those records; and,
- iii. The Program'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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Program's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Program 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 Program to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

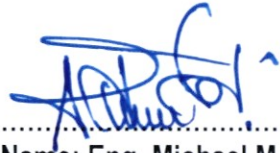
Nairobi

14 December, 2023

7. Statement of Receipts and Payments for the year ended 30th June 2023.

	Note	2022/2023			2021/2022			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	TOTAL	Receipts and payments controlled by the entity	Payments made by third parties	TOTAL	
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS								
Transfer from Government entities	1	75,000,000	-	75,000,000	100,000,000	-	100,000,000	604,123,500
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	83,434,618
Loan from external development partners-AWWDA	3	-	1,011,613,431	1,011,613,431	-	730,177,132	730,177,132	3,772,892,838
Loan from external development partners-TAWWDA	3.1	-	377,191,290	377,191,290	-	524,121,709	524,121,709	1,994,150,574
Loan from external development partners-CWWDA	3.2	-	158,969,243	158,969,243	-	100,403,387	100,403,387	578,856,473
Loan from external development partners-WASREB	3.3	-	6,641,228	6,641,228	-	1,000,000	1,000,000	7,641,228
Loan from external development partners-WRA	3.4	-	4,877,520	4,877,520	-	14,813,426	14,813,426	39,553,574
Miscellaneous receipts	4	42,365	-	42,365	-	-	-	42,365
TOTAL RECEIPTS		75,042,365	1,559,292,712	1,634,335,077	100,000,000	1,370,515,653	1,470,515,653	7,080,695,169
PAYMENTS								
Compensation of employees	5	-	-	-	-	-	-	-
Purchase of goods and services-AWWDA	6	406,439,727	46,087,123	452,526,850	61,482,957	33,819,313	95,302,271	767,130,429
Purchase goods and services-TAWWDA	6.1	-	42,493,840	42,493,840	-	13,792,500	13,792,500	212,987,193
Purchase goods and services-CWWDA	6.2	-	-	-	-	-	-	5,224,569
Purchase goods and services-WRA	6.3	-	4,877,520	4,877,520	-	-	-	24,740,148
Purchase goods and services-WASREB	6.4	-	-	-	0	1,000,000	1,000,000	1,000,000
Social security benefits	7	-	-	-	-	-	-	-
Acquisition of non-financial assets-AWWDA	8	-	965,526,309	965,526,309	-	696,357,818	696,357,818	3,543,851,242
Acquisition of non-financial assets-TAWWDA	8.1	16,459,928	334,697,450	351,157,378	-	510,329,209	510,329,209	1,881,057,927
Acquisition of non-financial assets-CWWDA	8.2	-	158,969,243	158,969,243	-	100,403,387	100,403,387	573,631,904
Acquisition of non-financial assets-WASREB	8.3	-	6,641,228	6,641,228	-	-	-	6,641,228
Acquisition of non-financial assets-WRA	8.4	-	-	-	-	14,813,426	14,813,426	14,813,426
Transfers to other government entities	9	-	-	-	-	-	-	-
Other grants and transfers and payments	10	-	-	-	-	-	-	-
TOTAL PAYMENTS		422,899,655	1,559,292,712	1,982,192,367	61,482,957	1,370,515,653	1,431,998,611	7,031,078,065
SURPLUS/(DEFICIT)		- 347,857,290	-	- 347,857,290	38,517,043	-	38,517,043	49,617,104

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



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



.....
Eng. Joseph Kamau
Project Manager

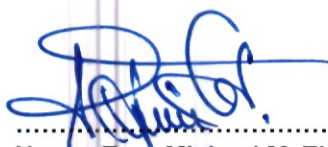


.....
Dr. Christine Mawia Julius
Project Accountant
ICPAK Member No: 6458

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

	Note	2022-2023	2021-2022
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11A	30,033,140	396,861,994
Cash Balances	11B		
Cash Equivalents (short-term deposits)	11C	19,583,963	
Total Cash and Cash Equivalents		49,617,104	396,861,994
Accounts receivables – Imprest and Advances	12		612,400
TOTAL FINANCIAL ASSETS		49,617,104	397,474,394
REPRESENTED BY			
Fund balance b/fwd	14	397,474,394	358,957,351
Prior year adjustments	15		
Surplus/(Deficit) for the year		- 347,857,290	38,517,043
NET FINANCIAL POSITION		49,617,104	397,474,394

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:



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



Eng. Joseph Kamau
 Project Manager



Dr. Christine Mawia Julius
 Project Accountant
 ICPAK Member No: 6458

Kenya Towns Sustainable Water Supply and Sanitation Program
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
Receipts from operating activities			
Transfer from the Ministry	1	75,000,000	100,000,000
Proceeds from domestic and foreign grants	2		-
Miscellaneous receipts	4	42,365	-
		75,042,365	100,000,000
Payments from operating activities			
Compensation of employees	5		-
Purchase of goods and services-AWWDA	6	- 452,526,850	- 95,302,271
Purchase goods and services-TAWWDA	6.1	- 42,493,840	- 13,792,500
Purchase goods and services-CWWDA	6.2	-	-
Purchase goods and services-WRA	6.3	- 4,877,520	-
Purchase goods and services-WASREB	6.4	-	- 1,000,000
Social security benefits	7		-
Transfers to other government entities	9		-
Other grants and transfers	10		-
Total Payments		- 499,898,210	- 110,094,771
Net Receipts / (Payments)		- 424,855,845	- 10,094,771
Adjustments during the year			
Prior Year Adjustments	15		-
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	16	612,400	- 612,400
Increase/(Decrease) in Accounts Payable: (deposits and retention)	17		-
Net cash flow from operating activities		- 424,243,445	- 10,707,171
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets AWWDA	8	- 965,526,309	- 696,357,818
Acquisition of Assets TAWWDA	8	- 351,157,378	- 510,329,209
Acquisition of Assets CWWDA	8	- 158,969,243	- 100,403,387
Acquisition of non-financial assets-WASREB	8	- 6,641,228	-
Acquisition of non-financial assets-WRA	8	-	- 14,813,426
Net cash flows from Investing Activities		- 1,482,294,157	- 1,321,903,840
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings AWWDA	3	1,011,613,431	730,177,132
Proceeds from Foreign Borrowings TAWWDA	3.1	377,191,290	524,121,709
Proceeds from Foreign Borrowings CWWDA	3.2	158,969,243	100,403,387
Proceeds from Foreign Borrowings WASREB	3.3	6,641,228	1,000,000
Proceeds from Foreign Borrowings WRA	3.4	4,877,520	14,813,426
Net cash flow from financing activities		1,559,292,712	1,370,515,653
NET INCREASE IN CASH AND CASH EQUIVALENT		- 347,244,890	37,904,643
Cash and cash equivalent at BEGINNING of the year		396,861,994	358,957,351
Cash and cash equivalent at END of the year		49,617,104	396,861,994

***Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023***

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:



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



.....
Eng. Joseph Kamau
Project Manager

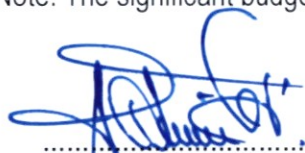


.....
Dr. Christine Mawia Julius
Project Accountant
ICPAK Member No: 6458

10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2023

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	- 25,000,000	75,000,000	75,000,000	-	100%
Proceeds from domestic and foreign grants TAWWDA	-	-	-	-	-	0%
Proceeds from borrowings	2,722,000,000	-	2,722,000,000	1,559,292,712	1,162,707,288	57%
Miscellaneous receipts		42,365	42,365	42,365	-	100%
Fund Balance B/F		397,474,394	397,474,394	397,474,394	-	100%
Sub-Total Receipts for Athi cluster	2,822,000,000	372,516,759	3,194,516,759	2,031,809,471	1,162,707,288	64%
Payments						
Compensation of employees	-	-	-	-	-	-
Purchase of goods and services	525,000,000	372,516,759	897,516,759	499,898,210	397,618,549	56%
Social security benefits				-	-	-
Acquisition of non-financial assets	2,297,000,000		2,297,000,000	1,482,294,157	814,705,843	65%
Total Payments	2,822,000,000	372,516,759	3,194,516,759	1,982,192,367	1,212,324,391	62%
Surplus/Deficit	-	-	-	49,617,104		

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.



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



Eng. Joseph Kamau
Project Manager



Dr. Christine Mawia Julius
Project Accountant
ICPAK M/No: 6458

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include 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.

b) Reporting entity

The financial statements are for Kenya Towns Sustainable Water Supply and Sanitation Program under the State Department of Water and Sanitation. The financial statements are for Kenya Towns Sustainable Water Supply and Sanitation Program as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

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

d) Recognition of receipts

Kenya Towns Sustainable Water Supply and Sanitation Program recognises all receipts from the various sources when the event occurs, and the related cash has been received.

i) Transfers from the Exchequer

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

Significant Accounting Policies (continued)

i) External Assistance

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

ii) 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 at the time associated cash is received.

iii) 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.

iv) Proceeds from borrowing.

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

v) 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.

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to 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 incur 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.

Significant Accounting Policies (continued)

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 each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) 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.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Significant Accounting Policies (Continued)

h) 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.

i) 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.

j) 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 6** of this financial statement is a register of the contingent liabilities in the year.

Significant Accounting Policies (Continued)

k) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of *the Entity* in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the 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.

l) 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' 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.

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been *included in an annex to these financial statements*.

Significant Accounting Policies (Continued)

11 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.

a) 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 recognised in the statements of receipts and payments.

b) 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.

c) 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.

d) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). The project did not have any prior year adjustments.

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	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
Counterpart funding through Ministry of Water, Sanitation and Irrigation			
Counterpart funds Quarter 1	25,000,000	25,000,000	281,623,500
Counterpart funds Quarter 2		25,000,000	120,000,000
Counterpart funds Quarter 3	50,000,000	50,000,000	195,000,000
Counterpart funds Quarter 4			7,500,000
	75,000,000	100,000,000	604,123,500
Other transfers from government entities			
		:	:
Appropriations-in-Aid		-	-
Total	75,000,000	100,000,000	604,123,500

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	2022/2023			2021/2022		Cumulative to Date
			Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in	Total Amount	
						2022/2023	2021/2022	
			Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)								
Grants Received from Multilateral Donors (International Organisations)								
African Development Bank (AfDB)	N/A	-	-	-	-	-	-	83,434,618
Grants Received from Local Individuals and organisations								
Total		-	-	-	-	-	-	83,434,618

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners AWWDA

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	2022/2023					2021/2022	Cumulative to date
	Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount	
		UA	Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Multilateral Donors (International Organisations)							
African Development Bank-AWWDA	Various	7,056,918	-	1,011,613,431	1,011,613,431	730,177,132	3,772,892,838
Total		7,056,918		1,011,613,431	1,011,613,431	730,177,132	3,772,892,838

3.1 Loan from External Development Partners TAWWDA

Description	2022/2023					2021/2022	Cumulative to date
	Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount	
		UA	Kshs	Kshs	Kshs	Kshs	Kshs
Loan Received from Multilateral Donors (International Organisations)							
African Development Bank- TAWWDA	Various	2,631,250	-	377,191,290	377,191,290	524,121,709	1,994,150,574
Total		2,631,250		377,191,290	377,191,290	524,121,709	1,994,150,574

3.2 Loan from External Development Partners CWWDA

Description	2022/2023					2021/2022	Cumulative to date
	Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount	
			Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organisations)							
African Development Bank-CWWDA	Various	1,108,954	-	158,969,243	158,969,243	100,403,387	578,856,473
N/A	0	0	0	0	-	-	-
Total		1,108,954		158,969,243	158,969,243	100,403,387	578,856,473

3.3 Loan from External Development Partners WASREB

Description	2022/2023					2021/2022	Cumulative to date
	Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount	
		UA	Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Multilateral Donors (International Organisations)							
African Development Fund -WASREB	Various	46,329		6,641,228	6,641,228	1,000,000	7,641,228
N/A	0	0	0	0	-	-	-
Total		46,329		6,641,228	6,641,228	1,000,000	7,641,228

3.4 Loan from External Development Partners WRA

Description	2022/2023					2021/2022	Cumulative to date
Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount	Total amount	
			Kshs	Kshs	Kshs	Kshs	Kshs
Loans Received from Multilateral Donors (International Organisations)							
African Development Fund -WRA	Various	34,025		4,877,520	4,877,520	14,813,426	39,553,574
Total		34,025		4,877,520	4,877,520	14,813,426	39,553,574

4. Miscellaneous receipts

Description	2022/2023			2021/2022	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 earned on bank deposits	42,365	0	42,365	0	42,365
Total	42,365	0	42,365	0	42,365

5. Compensation to Employees

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

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services AWWDA

	2022/23			2021/22	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank charges	9,225	-	9,225	-	9,225
Communication, supplies and services	-	5,025,651	5,025,651	1,785,480	17,464,516
Domestic travel and subsistence	2,851,350	-	2,851,350	5,714,651	19,939,233
Foreign travel and subsistence	-	-	-	-	2,696,858
Printing, advertising and – information supplies & services	1,697,465	-	1,697,465	-	20,841,627
compensation & community sensitization	393,776,403	-	393,776,403	37,093,824	447,887,308
Training payments	-	-	-	-	116,000
Hospitality supplies and services	716,986	-	716,986	869,652	2,410,568
Insurance costs	-	-	-	-	-
Specialized materials and services	7,388,298	-	7,388,298	16,019,350	23,980,048
Supply of non-revenue water equipment	-	-	-	-	136,999,679
Supply of Lab Equipment for WSPS	-	-	-	31,526,950	31,526,950
Monitoring and Evaluation consultancy	-	3,912,000	3,912,000		3,912,000
Baseline survey consultancy	-	2,997,529	2,997,529		2,997,529
Sewer cleaning equipment	-	19,719,840	19,719,840		19,719,840
Billing software for Limuru WSP	-	10,000,000	10,000,000		10,000,000
Panel of experts	-	4,432,102	4,432,102	2,292,363	26,629,049
Total	406,439,727	46,087,123	452,526,850	95,302,271	767,130,429

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

6.1 Purchase of Goods and Services TAWWDA

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy for Oloolotikosh-Kitengela - Kajiado water supply and sanitation project	-	-	-	-	83,434,618
Feasibility study, detailed design and tender documentation for Mwanja/Miwongoni	-	27,585,000	27,585,000	13,792,500	82,755,000
Consultancy Services for Carrying out Feasibility Studies for proposed Ongata Rongai, Ngong and Mavoko Sewerage Infrastructure Project in Tanathi Water Works Development Agency Area	-	14,908,840	14,908,840	-	26,090,470
Supply and Delivery of Laboratory Equipment For Tanathi Water Works Development Agency and Water Resource Authority in 2 Lots	-	-	-	-	9,592,800
Supply of non-revenue water equipment	-	-	-	-	11,114,305
Total	0	42,493,840	42,493,840	13,792,500	212,987,193

6.2 Purchase of Goods and Services CWWDA

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Purchase of non-revenue water equipment	0	0	0	0	5,224,569
Exchange rate losses/gains (net)				-	0
Total	0	0	0	0	5,224,569

6.3 Purchase of Goods and Services WRA

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy Services for Development Management Plans for Selected Areas & capacity Building for Water Resources Authority	0	4,877,520	4,877,520	0	12,193,800
Supply and Delivery of Laboratory Equipment For Water Resource Authority Lot 2	0	0	0	0	12,546,348
Exchange rate losses/gains (net)					0
Total	0	4,877,520	4,877,520	0	24,740,148

6.4 Purchase of Goods and Services WASREB

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy Services for Development of County Water Atlas for Selected Counties	0	0	0	0	1,000,000
Exchange rate losses/gains (net)					0
Total	0	0	0	0	1,000,000

Notes to the Financial Statements (Continued)

7. Social Security Benefits

The project did not have any costs social benefit costs

8. Acquisition of Non-Financial Assets AWWDA

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	888,530,439	888,530,439	553,228,757	3,115,774,383
Purchase of office equipment	-	-	-	0	15,821,483
Purchase, installation and operationalization of the ERP system	-	-	-	0	43,448,276
Supply and Delivery of 3 NO. Vehicle Mounted Sewer Flushing Units	-	-	-	82,973,942	82,973,942
Research, studies, project preparation, design & supervision	-	76,995,870	76,995,870	60,155,120	285,833,159
Total	0	965,526,309	965,526,309	696,357,818	3,543,851,242

8.1 Acquisition of Non-Financial Assets TAWWDA

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	16,459,928	282,919,250	299,379,178	471,860,045	1,689,244,442
Supply and Delivery of ERP for TAWWDA	-	-	0	11,853,448	43,465,516
Research, studies, project preparation, design & supervision	-	51,778,200	51,778,200	26,615,716	148,347,969
Total	16,459,928	334,697,450	351,157,378	510,329,209	1,881,057,927

Notes to the Financial Statements (Continued)

8.2 Acquisition of Non-Financial Assets CWWDA

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	0	113,765,455	113,765,455	89,893,387	468,503,116
Supply and Delivery of Motor vehicles	0	5,087,719	5,087,719	0	5,087,719
Lab Equipment		20,881,069	20,881,069		20,881,069
Research, studies, project preparation, design & supervision	0	19,235,000	19,235,000	10,510,000	79,160,000
Total	0	158,969,243	158,969,243	100,403,387	573,631,904

8.3 Acquisition of Non-Financial Assets WASREB

	2022/2023			2021/2022	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Acquisition of Operational Motor Vehicles	0	6,641,228	6,641,228	0	6,641,228
Total	0	6,641,228	6,641,228	0	6,641,228

8.4 Acquisition of Non-Financial Assets WASREB

	2022/2023			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
Acquisition of Office Equipment	0		-	1,530,970	1,530,970
Acquisition of Operational Motor Vehicles	0		-	13,282,456	13,282,456
Total	0	0	0	14,813,426	14,813,426

9. Transfers to other Government Entities

During the financial period to 30 June 2023, there were no transfers to other Government Agencies. AWWDA is the implementing agency for the Kenya Towns Sustainable Water Supply and Sanitation Program-Athi cluster administratively managing the project on behalf of TAWWDA, CWWDA, WASREB, and WRA. The budget, procurement and reporting are domiciled at AWWDA while the day-to-day project management and initiation of payments is undertaken by the individual beneficiary Agencies. Additionally, the project payments are direct (AIA) in nature whereby the respective agencies certify the works done and AWWDA facilitates the submission of the said payments to AfDB through the ministry and with the approval of the National Treasury.

10. Other Grants, Transfers and Payments

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

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

	2022-2023	2021-2022
	KShs	KShs
Bank accounts (Note 11A)	30,033,140	396,861,994
Cash in hand (Note 11B)	-	-
Cash equivalents (short-term deposits) (Note 11C)	19,583,963	
Total	49,617,104	396,861,994

The reported cash balances comprise of GoK contribution to the project and is managed through AWWDA's development fund account, the balances for the financial year were put on call deposit. To enhance accountability, fund accountability is maintained for each project whose funds are managed through the same account. The project does not have a foreign currency account because the donor component is disbursed wholly as direct payments.

11. A Bank Accounts

Project Bank Accounts

	2022/2023	2021/2022
	Kshs	Kshs
Foreign Currency Accounts		
N/A	-	-
Total Foreign Currency balances	=	=
Local Currency Accounts		
NCBA [A/c No 6206720012]	508,984	
Kenya Commercial Bank [A/c No 1143199359]	29,524,156	
Co-Operative Bank of Kenya [A/C No.01141084618501]		396,861,994
Total local currency balances	<u>30,033,140</u>	<u>396,861,994</u>
Total bank account balances	<u>30,033,140</u>	<u>396,861,994</u>

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The project did not have a special deposit account because all the donor payments are of direct payment in nature

12 B Cash in hand

The project did not have any cash in hand as at 30th June 2023

11 C Cash equivalents (short-term deposits)

Description	2022/2023	2021/2022
	Kshs	Kshs
Co-Operative Bank of Kenya [A/C No 01150084618512]	19,583,963	-
Total	19,583,963	-

The project closed with the above balance in the call deposit account being the unutilized balance of GoK counterpart funds as at 30th June 2023.

12. Imprests and Advances

Description	2022/2023	2021/2022
	Kshs	Kshs
Staff Imprests	-	612,400
Total	-	612,400

12A: Breakdown of Imprests and Advances

The project did not have any pending imprests as of 30th June 2023

13. Deposits and Retention Monies

Description	2022/2023		2021/2022	
	Kshs		Kshs	
Retention	0		0	
Deposits	0		0	
Total	0		0	
Ageing analysis:	2022/2023	% of the Total	2021/2022	% of the Total
Under one year	0	%	0	%
1-2 years	0	%	0	%
2-3 years	0	%	0	%
Over 3 years	0	%	0	%
Total	0	%	0	%

Notes to the Financial Statements (Continued)

The payments under the project are in the form of direct payments. The retention monies are not disbursed by AfDB until the completion of the contracts upon which the monies are paid out directly to the contractors. However, for purposes of monitoring the project payables the project. Similarly, the project did not have any deposits as at 30th June 2023.

14. Fund Balance Brought Forward

	2022/2023	2021-2022
	Kshs	Kshs
Bank accounts	396,861,994	358,957,351
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retentions	-	-
Total	396,861,994	358,957,351

15. Prior Year Adjustment

The project did not have events likely to have a significant impact on the financial statements for the year ended 30th June 2023.

16. Changes in Imprests and Advances

Description	2022/2023	2021/2022
	Kshs	Kshs
Opening Receivables as at 1 st July 2022	612,400	-
Closing account receivables as at 30 th June 2023	-	612,400
Change in Imprests and advances	-612,400	612,400

17. Changes in Accounts Deposits and Retention

The project did not have any changes related to deposits and retentions. Given that the project disbursements are wholly direct in nature the project did not hold any deposits and/or retention monies.

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

	Balance b/f FY 2022/23	Additions for the period	Paid during the year	Balance c/f FY 2022/23
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil works	283,490,228	972,200,232	696,174,945	559,515,515
Supply of goods	21,728,947	-	21,728,947	-
Supply of services	102,460,690	33,606,486	126,713,940	9,353,236
Total	407,679,865	1,005,806,718	844,617,832	568,868,751

2. Pending Staff Payables (See Annex 4b)

The project did not have any staff related payables.

3. Other Pending Payables (See Annex 4c)

The project did not have any other pending payables.

4. External Assistance

The project did not have any external assistance either in form of loan or grants during the year ended 30th June 2023.

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Other Important Disclosures (Continued)

5. Payments By Third Party on Behalf of The Project

5.1 Classification by Source

	2022-2023	2021-2022
Description	Kshs	Kshs
N/A	-	-
Multilateral donors-AfDB	1,559,292,712	1,370,515,653
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	1,559,292,712	1,370,515,653

5.2 Classification of payments made by Third Parties by Nature of expenses

Payments made by third parties	2022-2023	2021-2022
Description	Kshs	Kshs
Compensation of employees	-	-
Use of goods and services	93,458,483	48,611,813
Subsidies	-	-
Transfers to other government units	-	-
Other grants and transfers	-	-
Social security benefits	-	-
Acquisition of assets	1,465,834,229	1,321,903,840
Finance costs, including loan interest	-	-
Other payments	-	-
Total	1,559,292,712	1,370,515,653

N/B The civil works and the related supervision consultancies are classified under acquisition of assets while all the other costs for studies and purchase of office equipment and other maintenance tools and equipment are classified under use of goods and services.

Other Important Disclosures (Continued)

6. Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The comprise of related parties to the Project

- i) Key management personnel including the program director/manager
- ii) The implementing entity/ministry/ department
- iii) Other Ministries and Departments.
- iv) The National Treasury

Related party transactions:

	2022-2023	2021-2022
	Kshs	Kshs
Compensation to Key Management		
Compensation to the program manager/ director	-	-
Key Management Compensation others (specify)	-	-
Total Compensation to Key Management	-	-
Transfers to related parties		
Transfers to other government entities	-	-
Total Transfers to related parties	-	-
Transfers from related parties		
Transfers from the Ministry/ department	75,000,000	100,000,000
Payments made on behalf of the project by other govt. entities	-	-
Total Transfers from related parties	75,000,000	100,000,000

7. Contingent Liabilities

The project did not have any contingent liabilities as of 30th June 2023

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
Other Matter	Budgetary performance: The statement of budget vs actuals reflects an underfunding of Kes 425,484,347 or 22% of the budget. During the year, Kes 1,431,998,611 was spent which was still below the budgeted amount.	The under-expenditure was occasioned by global project Budget exhaustion at the Ministry. The charging payments under other clusters to our budget resulting in budget exhaustion; the athi cluster had unpaid pending bills amounting to Kshs 407,679,865 as shown in Appendix 3A of the financial report.	Not Resolved	Ongoing
1.	Audit review revealed that Athi Water Works Development Agency operates one bank account at Co-operative Bank for all the projects under its control. Review of the bank statement revealed that the account had a bank balance of Kshs.595,009,769 as at 30 June, 2022 while the bank reconciliation statement indicated cash book balance of Kshs.537,031,407. These funds were commingled with other projects funds contrary to Section 76(1) of the Public Finance Management (National Government) Regulations, 2015. In the circumstances, the Project Management was in breach of the law.	The project maintains fund accountability for the project's GoK funding while ensuring the correctness of the balances reported. However, the project has since opened a separate bank account after obtaining the necessary approvals. The approvals were received at the end of the financial year and all the project funds will be managed through the new account starting 2023/24FY.	Resolved	
2.	Stalled Projects			
2.1	Changamwe Re-pooling Sewer Network The Contract No. AWSB/AFDB/KTSWSSP/W/09/2018 for the works was awarded to a Company at a contract sum of Kshs.204,483,295 while the	We clarify that AWWDA was not in breach of the contract, but due to the contractor's non-performance AWWDA initiated the process of	Not Resolved	Ongoing

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>contract commencement date was 14 December, 2018 and the expected completion date was 14 June, 2020, which was later extended to 14 January, 2021. As at 30 June, 2022, the contractor had been paid Kshs.72,816,261.</p> <p>However, review of the documents presented for audit revealed that the project had stalled due to a court order issued for an ongoing lawsuit by the contractor against the AWWDA for breach of contractual agreement that restrained the AWWDA from evicting the Contractor from the possession of the construction site and appointing another contractor to proceed with the construction work, pending the hearing and determination of the suit.</p> <p>Further, physical verification done in October, 2022 revealed that the manholes constructed had been vandalized and filled with litter. This will require removal of the litter for the construction to proceed which will attract further costs. In addition, the piping works were done about 3km out of the expected 15km with overall work completed at only 15%. It is therefore not clear if the works would be completed due to the ongoing lawsuit.</p>	<p>contract termination and recalling of bank guarantees. The contractor on his part, obtained a court injunction restraining AWWDA from evicting them from site and stopping the process of guarantee recall until the case is heard and determined.</p> <p>The ruling of the case was given on 2nd December 2022 referring the case for arbitration and directing the Chairman of the Architectural Association of Kenya appoints an Arbitrator within 21 days.</p> <p>The arbitrator was appointed and the arbitration process commenced.</p> <p>To avert further delays in the project implementation and in view of the orders earlier given by the court, The Agency made an appeal for the court to allow us to access site for the Agency to appoint another contractor to undertake the works as the arbitration process continues.</p>		

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>In the circumstances, the value for money for the expenditure amount of Kshs.72,816,261 may not be realized.</p>	<p>On 28/4/2023 the court stayed the ruling that stopped AWWDA from appointing another contractor to continue with the works pending the determination of the application.</p> <p>This status was reported to the Donor who advised that the resources for the project remained locked to the contractor until the case was concluded thereby incapacitating the Agency's ability to begin the procurement process for another contractor.</p>		
2.2	<p>Construction of Mwala Cluster Water Supply Project</p> <p>The Contract No. AWSB/AFSDB/KTSWSSP/W/08-A/2018 for the works was awarded to Contractors at a contract sum of Kshs.583,332,778 with the commencement date of 1 April, 2019 and expected completion date of June, 2020, which was later extended to 5 August, 2021. However, the contract was terminated on 24 May, 2022 because the contractor executed the works at a very low pace. The works completed as at the time of termination was 3% against time lapse of 180%.</p>	<p>We confirm that the contractor had been paid a total of Kshs Kshs.133,733,822 comprising of Kshs.116,666,555 guaranteed advance payment and Kshs 17,537,672.79 value of certified works as of 30th June 2022.</p> <p>We wish to clarify that the performance bond value is meant to compensate the client for damages resulting from the contractor's non-performance and it is not expected to cover the</p>	Resolved	

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>Further, the contractor had been paid an amount of Kshs.133,733,822 which included Kshs.116,666,555 for advance payment and Kshs.17,067,267 for interim payment while the total value of works executed and certified amounted to Kshs.17,537,673. However, the AWWDA had performance security bond of Kshs.58,333,277 which could not guarantee recovery of the paid amounts. At the time of audit in October, 2022, the project had stalled and no evidence was provided on how the project was to be completed.</p> <p>In the circumstances, the value for money for the expenditure amount of Kshs.133,733,822 may not be realized.</p>	<p>value of payments done to the contractor. The payments to contractors are done against measured works except for advance payment which is done against a bank guarantee.</p> <p>The contract was terminated successfully after successfully cashing the guarantees: Advance guarantee-Kshs116,666,555 and Performance guarantee Kshs 58,333,277. The certificate of final account determined that the contractor was to be paid a total of Kshs16,459,928.05. This amount was paid from the proceeds of the guarantee recall after receiving AfDB's approval.</p> <p>We confirm that the contractor was closed, with no loss of public funds and the procurement of another contractor completed</p>		
3.	Delayed Project Implementation			
3.1	<p>Slow Implementation of Machakos Water Supply Project</p> <p>The statement of receipts and payments and as disclosed in Note 11.8.1 to the financial statements reflects an amount of Kshs.510,329,209 in</p>	<p>We wish to report that the progress of work as of 30th June 2023 was 57%.</p>	Resolved	

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>respect to acquisition of non- financial assets - TAWWDA which includes Kshs.471,860,045 for construction of civil works which further includes Kshs.228,008,804 paid to Jiangxi Water and Hydropower Construction Kenya Ltd for the construction of Machakos Water Supply Project.</p> <p>However, review of the project documents and physical inspection done in October, 2022 revealed the overall project progress was at 43% and some work components including source works, raw water mains, rising mains, gravity transmission mains and electrical mechanical water supply had not started with the delay being attributed to a law suit filed by the contractor which required all project works to be stopped. The case was set aside on 29 January, 2021 and a resumption order issued to the Contractor on 08 March, 2021 except for the Miwongoni dam site.</p> <p>In addition, even though the AWWDA is undertaking engagements with project affected persons (PAPs) in a bid to acquire land for the Dam site and that the National Land Commission (NLC) are finalizing on the valuation report after which compensation will begin, the process has taken long, and this may lead to several works not being completed within the contract period which may lead to cost overruns.</p>	<p>The reported slow progress of works was caused by court injunctions resulting from land compensation issues and not from the contractor as observed by the auditor.</p> <p>As a result of community engagements, we wish to report that the caveat that affected the acquisition of the land for the Dam site was lifted on 7th July 2023 paving way for land acquisition to begin.</p> <p>Additionally, the Agency was given early access for the Katelembu tank site on June 30th 2023.</p> <p>Given that progress, we are confident that the project objectives will be attained.</p>		

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	In the circumstances, the value for money for the expenditure amount of Kshs.228,008,804 may not be realized.			
3.2	<p>Slow Implementation of Machakos Sewerage Project</p> <p>Further, the amount of Kshs.471,860,045 includes Kshs.141,706,921 paid to China Wu Yi Company Ltd and Shanxi Geological Engineering Exploration Institute Limited JV for construction of Machakos Sewerage Project.</p> <p>However, review of the project documents and physical inspection done in October, 2022 revealed that some work components including sewage treatment plant, consumer connections sewer, electro mechanical sewerage and rehabilitation works had not started due to delays in acquisition of the sewer treatment plant land. The overall progress for the project was at 31% pending approval of the extension of completion date to 4 June, 2023.</p> <p>In the circumstances, the value for money for the expenditure amount of Kshs.141,706,921 may not be realized.</p>	<p>We have completed the acquisition of the WWTP land and works have commenced with the inlet works and the primary clarifiers. The works progress as of 30th June was at 60%.</p> <p>We are confident that the project milestones will be completed within the extended timelines i.e July 2024 .</p> <p>The Agency has been working together with TAWWDA to fast-track the works whereby: Machakos sewerage project progress was at around 60% on 30th June 2023</p>	Resolved	
3.3	<p>Slow Implementation of Kitui Matuu Last Mile Project</p> <p>Further the amount of Kshs.471,860,045 includes an amount of Kshs.102,144,319 paid to BMK Private Limited for the construction works for Kitui Matuu last mile connectivity of water and sanitation works in Tana Athi Water Works Development Agency areas.</p>	AWWDA together with TAWWDA held several management meetings with the contractor in a bid to resolve the issue of slow progress of work without success.	Resolved	

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>However, review of the project documents revealed that the contract was signed in 18 September, 2019 with a revised completion date of 31 December, 2022. The overall work progress was 36% which was two (2) months to the end of the revised contract period which is evident that several works may not be completed within the contract period which may lead to cost overruns.</p> <p>The delay was attributed to many factors including delayed submission of contractor's request for specific tax and duty exemptions for various items, lack of possession of site for Wote intake works, lack of access to the Murang'a South intake site and raw water main due to delayed issuance of the permit from Kenya Forest Services (KFS), lack of contractor's key personnel on site, inadequate mobilization of materials meant for the works and inadequate cash flow by the contractor. If amicable solutions to the challenges are not found, the project may be delayed further denying the beneficiaries the intended services.</p> <p>In the circumstances, the value for money for the expenditure amount of Kshs.102,144,319 may not be realized</p>	<p>The team resolved to terminate the contract when the works were at 44% progress.</p> <p>The recall of the guarantees faced challenges and AWWDA referred the matter to the Directorate of Criminal Investigation and investigations into the issue is ongoing.</p> <p>Further to that, the contract is under termination, AWWDA has received AfDB's no-objection to terminate after which the Agency has submitted the termination notice to the office of the Attorney General for clearance to conclude the termination.</p> <p>This will pave way for procurement for a new contractor to complete the remaining works</p>		
3.4	<p>Slow Implementation for Construction Works for Water Distribution for Malindi/Watamu project</p> <p>The statement of receipts and payments and as disclosed in Note 11.8.2 to the financial statements reflects an amount of Kshs.100,403,387 in respect to acquisition of non- financial Assets - CWWDA which includes</p>	<p>The project completion date was extended to 26th December 2023. The progress of works as of 30th June 2023 was at 89% progress with the contractor having laid 33km of pipe network, connected around 100 individual consumers</p>	Resolved	

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	<p>an amount of Kshs.89,893,387 for construction of civil works which further includes Kshs.71,679,511 paid to Suhufi Agencies Ltd for the construction of water distribution line for MalindiNvatamu. The contract sum was Kshs.288,793,278 effective 26 August, 2020. The expected completion date was 26 February, 2022 which was later revised to 25 August, 2022 and later revised to 25 November, 2022.</p> <p>However, physical verification done in October, 2022 revealed that the pipping works were in progress although the pipping connection for the hundred (100) existing consumers and the three hundred (300) new consumers had not been done.</p> <p>Further, the project progress was at 70% and the time lapse was at 96% which is a clear indication that the project is behind schedule compared with the agreed projects' duration.</p> <p>In the circumstances, the value for money for the expenditure amount of Kshs.71,679,511 may not be realized.</p>	<p>and most of the fittings for connections delivered. We confirm that the project will be delivered within the new timelines because as of the reporting date the project was at 93% completion rate.</p>		



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



.....
Name: Eng. Joseph Kamau
Project Manager

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY

Receipts/Payments Item	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	75,000,000	75,000,000	-	100%	Within Budget
Proceeds from domestic and foreign grants TAWWDA	-	-	-	0%	The consultant was yet to attain the required milestones by the end of the financial year
Proceeds from borrowings	2,722,000,000	1,559,292,712	1,162,707,288	57%	Delays in processing contractor's and consultant's invoices affected the progress of works and hence the disbursements
Miscellaneous receipts	42,365	42,365	-	0%	Within Budget
Fund Balance B/F	397,474,394	397,474,394	-	0%	Within Budget
Sub-Total Receipts for Athi cluster	3,194,516,759	2,031,809,471	1,162,707,288	64%	
Payments					
Purchase of goods and services	897,516,759	499,898,210	397,618,549	56%	The earlier expected compensation monies were not received during the year
Acquisition of non-financial assets	2,297,000,000	1,482,294,157	814,705,843	65%	The absorption was commensurate to the payments which were cleared for payment at the Ministry level and also the timely submission to AfDB by the National Treasury and Planning. Delays in invoice processing affected contractor's and consultant's cash flow hence the progress of work
Total Payments	3,194,516,759	1,982,192,367	1,212,324,391	62%	
Surplus/Deficit		49,617,104			

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 3: Reconciliation of inter-entity transfers

PROJECT NAME:		Kenya Towns Sustainable Water Supply and Sanitation Program		
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>
		Various	75,000,000	2022/2023
		Total	75,000,000	
b.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Various	1,559,292,712	2022/2023
		Total	1,559,292,712	
c.	Others			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>Indicate the FY to which the amounts relate</u>
		N/A	N/A	
		Total	0	
		TOTAL(a+b+c)	1,634,292,712	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 4a: Analysis of Pending Bills

Contracts	Date Contracted/invoiced	Additions for the period	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
		a	b	c=a-b		
Construction of civil works						
Construction Works Makutano Water and Sewerage Project	6-Feb-23	112,628,539	120,750,877	47,495,444	55,617,781.99	The year closed when the payment had not reached ADB
Construction works for Kitui and Matuu Towns Last mile connectivity	18-Sep-19		92,650,000	-	92,650,000.00	Pending bill cleared
Kiambu and Ruaka Water supply and Sewerage Project	26-Jun-23	330,581,488	284,392,269	119,020,369	72,831,150.08	The year closed when the payment had not reached ADB
Construction of Pemba Intake and Treatment works Project	1-Jun-23	62,761,657	83,708,295	20,257,621	41,204,258.62	The year closed when the payment was still at the National Treasury
Construction of Kikuyu Water and Sewerage Project	2-Jun-23	145,214,766	114,673,505	51,728,299	21,187,037.69	The year closed when the payment had not reached ADB
Construction of Gatundu Water Supply and Sewerage Project	5-Mar-23	77,639,057	-	77,639,057	-	The year closed when the payment was still at the National Treasury
Construction of Water Distribution for Watamu Town Lot 2	25-Apr-23	17,487,792	-	17,487,792	-	The year closed when the payment had not reached ADB
Construction of Machakos Water Supply Project	26-Jun-23	133,257,727	-	133,257,727	-	The year closed when the payment had not reached ADB
Construction of Limuru Water and Sewerage Project	23-Jun-23	92,629,206	-	92,629,206	-	The year closed when the payment had not reached ADB
Sub-Total		972,200,232	696,174,945	559,515,515	283,490,228	
Supply of goods						

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Contracts	Date Contracted/invoiced	Additions for the period	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
		a	b	c=a-b		
Supply, Delivery, Installation, Configuration & Commissioning of an Intergrated Biling System for Limuru Water & Sewerage Company	16-Sep-21	-	10,000,000	-	10,000,000	Pending bill cleared
Supply and Delivery of Motor Vihecles in 3 Lots; Lot 1 - Supply and Delivery of 1 No. Double Cabin Pickup for Coast Water Works Development Agency	15-Oct-20	-	5,087,719	-	5,087,719	Pending bill cleared
Supply and Delivery of Motor Vihecles in 3 Lots; Lot 2 - Supply and Delivery of 1 No. Heavy Duty Utility Passenger Vehicle for Water Services Regulatory Board	15-Oct-20	-	6,641,228	-	6,641,228	Pending bill cleared
Sub-Total		-	21,728,947	-	21,728,947	Pending bill cleared
Supply of services				-		Pending bill cleared
Consultancy Services for Design Review and Supervision of Pemba and Changamwe re-pooling Water supply and Sewerage Project	18-Jul-17	5,255,000	19,235,000	-	13,980,000	Pending bill cleared
Consultancy Services for design review and supervision of Makutano Water and Sewerage Project	16-Jul-20	18,998,250	25,331,000	-	6,332,750	Pending bill cleared
Consultancy Services for Design Review and Supervision of Kitui and Matuu Towns Last mile connectivity for Water Supply and Sanitation Works	10-Jun-19	-	4,788,100	-	4,788,100	Pending bill cleared
Consultancy Services for Design Review and Supervision of Kiambu and Ruaka Water Supply and Sewerage Works Project	22-Aug-17		14,225,794	-	14,225,794	Pending bill cleared
Consultancy Services for Project Communication and Documentary for Kenya Towns Programs	27-Oct-19	-	5,025,651	-	5,025,651	Pending bill cleared

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Contracts	Date Contracted/invoiced	Additions for the period	Amount Paid To-Date	Outstanding Balance Current FY	Outstanding Balance Previous FY	Comments
		a	b	c=a-b		
Consultancy Services for Development Management Plans for Selected Areas & capacity Building for Water Resources Authority	18-Mar-20	-	4,877,520	-	4,877,520	Pending bill cleared
Consultancy Services for Consultancy Services for the Independent Panel of Experts (Principal Expert (Chair))	7-Oct-19	-	3,361,044	-	3,361,044	Pending bill cleared
Consultancy Services for Consultancy Services for the Independent Panel of Experts (Hydrology and Hydraulic Expert)	7-Oct-19		1,071,058	-	1,071,058	Pending bill cleared
Consultancy Services for Consultancy Services for the Independent Panel of Experts (Environmental and Ecological Expert)	7-Oct-19	421,056	447,372	421,056	447,372	The year closed when the payment was still at the National Treasury
Consultancy Services for Design Review and Construction Supervision of Design and Build of Machakos Water and Sanitation Project	7-Feb-18		48,351,400	-	48,351,400	Pending bill cleared
Consultancy Services for Capacity Building and Institutional Support	8-May-22	5,700,000	-	5,700,000	-	The year closed when the payment was still at the National Treasury
Consultancy Services for Technical assistance in monitoring and evaluation and preparation of quarterly reports for Kenya towns sustainable water and sanitation services - Athi Cluster	29-Mar-23	3,232,180	-	3,232,180	-	The year closed when the payment had not reached ADB
Sub-Total		33,606,486	126,713,940	9,353,236	102,460,690	
Grand Total		1,005,806,718	844,617,832	568,868,751	407,679,865	

Annex 4b: Analysis of Pending: Staff Bills

The project did not have staff-related pending bills as of 30th June 2023

Annex 4c: Analysis of other Pending Payables

The project did not have any pending bills due to other government agencies, county governments, or third parties as of 30th June 2023

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23	Donations in form of assets (KShs) 2022/23	*Purchases/ Additions in the Year (KShs) 2022/23	**Disposals in the Year (KShs) 2022/23	Transfers in/(out) 2022/23	Closing Cost (KShs) 2022/23
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c- (d)+(-)d
AWWDA						
Office Equipment,	15,821,483					15,821,483
Plant and Machinery	82,973,942					82,973,942
Work in Progress	2,479,529,509		965,526,309			3,445,055,817
Total	2,578,324,934	-	965,526,309	-	-	3,543,851,242
						-
TAWWDA						
Work in Progress	1,529,900,548		351,157,378			1,881,057,927
Total	1,529,900,548	-	351,157,378	-	-	1,881,057,927
						-
CWWDA						
Motor Vehicles			5,087,719			5,087,719
Lab Equipment			20,881,069			20,881,069
Work in Progress	414,662,662		133,000,455			547,663,116
Total	414,662,662	-	158,969,243	-	-	573,631,904
						-
WASREB						
Motor Vehicles			6,641,228			6,641,228
Total	-	-	6,641,228	-	-	6,641,228
						-
WRA						
Transport equipment- Motor Vehicles	13,282,456					13,282,456
Office equipment	1,530,970					1,530,970
Total	14,813,426	-	-	-	-	14,813,426
Grand Total for Athi Cluster	4,537,701,570	-	1,482,294,157	-	-	6,019,995,727

Annex 6: Contingent Liabilities Register

The project did not have contingent liability as at 30th June 2023

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2023

Annex 7: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners	
				Q1	Q2	Q3	Q4		
Catchment protection around the Karimenu II Dam	Tree planting Within the project. Borrow pits A, B and Quarry A Borrow pits C and Coffee factory Site	Catchment protection	Planted 3,600 trees		3,393,170.00			AWWDA, Stanbic Bank, Judiciary, Rodi Kenya and RUJWASCO	AWWDA, Stanbic Bank, Judiciary, Rodi Kenya, RUJWASCO and community
Tree planting around the Sasumua Dam	Contribution to the 15 billion tree planting government initiative	Forest cover restoration	Tree planting		50,000			AWWDA	AWWDA, Nairobi and Murang'a water and Central Rift Water Works Agency
Tree planting in Lamu County	Contribution to the 15 billion tree planting government initiative	Forest cover restoration	Tree planting			100,000		AWWDA	AWWDA Ministry of water and Irrigation, Lamu County, Coast Water and Sewerage Company and Water Trust Fund and community
Tree planting with Itare Dam area	Contribution to the 15 billion tree planting government initiative	Forest cover restoration	Tree planting			100,000		AWWDA	AWWDA Ministry of Water and Irrigation, county government and water service providers and community
Supply and delivery of branded plastic water tanks to schools		Enhancement of roof catchment	Supply and delivery of branded 6000L tanks to schools around the AWWDA's area	1,081,000.23				AWWDA	AWWDA

Annex 8: Reporting Disaster Management Expenditure

The project did not incur any disaster related expenditure

Annex 9: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2023
- ii. Board of Survey Report