

REPUBLIC OF KENYA



Enhancing Accountability

REPORT




OF

THE AUDITOR-GENERAL

ON

**STATE DEPARTMENT FOR WATER AND
SANITATION**

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	09 APR 2025
TABLED BY:	Hon. Sylvanus Oloo, MP Majority Party Whip
CLERK AT THE TABLE:	A. Shibusko
	DAY: Wednesday



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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STATE DEPARTMENT FOR WATER AND SANITATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30,2024

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30,2024

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1. Acronyms and Glossary of Terms

Provide a list of acronyms and glossary of terms used in your report.

e.g.:

AIE	Authority to Incur Expenditure
CFO	Chief Finance Officer
HAU	Head of Accounting Unit
IPSAS	International Public Sector Accounting Standards
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management

2. Key Entity Information and Management

(a) Background information

The State Department for Water and Sanitation under the Ministry of Water, Sanitation and Irrigation was established through Executive Order No.2 of 2023 dated 1st November, 2023. The State Department's mandate is guided by key laws and policies as provided by the Constitution of Kenya (CoK), Water Act 2016, Kenya Water Institute (KEWI) Act 2001, Legal Notice Number 252 of 2015.

The mandate of the State Department is aligned with the Kenya Vision 2030 and its Fourth Medium Term Plan (MTPIV), and other national and international commitments such as the Bottom-Up Economic Transformation Agenda (BETA), the African Union Agenda 2063, the Africa Water Vision 2025 and the global Sustainable Development Goals (SDGs) No.2, 6 and 15. Similarly, as outlined in the Fourth schedule of the CoK , the National Government is mandated to provide policy guidance and strategies aimed at protecting, conserving, and managing water resources as well as development of national public water and sewerage works.

Accordingly, the State Department of Water and Sanitation focuses on realization of universal access to safe and clean water and efficient sanitation services to support the broad national government objectives of realization of sustainable economic growth, and development poverty reduction, and social stability. It also seeks to progressively realize the right to water, sanitation, and food security, contributing to socio-economic development in line with Article 43(b), (c), and (d) of the Constitution of Kenya.

Additionally, the State Department is responsible for policy direction and guidance, capacity building, resource mobilization, coordination and oversight to nine (9) Waterworks Development Agencies, three (3) regulators, two (2) training institutions and the Water Sector Trust Fund.

The functions of the State Department as bestowed in the Executive Order No. 2 of 2023 dated 1st November, 2023 are:

1. Water Resources Management Policy and Standards,
2. Water Catchment Area Conservation, Control and Protection,
3. Water and Sewerage Services Management Policy,
4. Waste Water Treatment and Disposal Policy,
5. Water Quality and Pollution Control,
6. Sanitation Management,
7. Management Public Water Schemes and Community Water Projects and
8. Water Harvesting and Storage for Domestic and Industrial Use

(b) Key Management

The Ministry's day-to-day management is under the following key organs:

- i. Directorate of water
 - Department of Water Services
 - Department of Water Resource
 - Department of Trans boundary Waters

- ii. Directorate of shared services
 - Human Resource Management and Development Department
 - Central planning and Projects Monitoring Department
 - Finance Department
 - Accounts Department
 - Supply Chain Management Department
 - Administration General Department
 - Records Management Department
 - ICT Department
 - Public Communication Department
 - Internal Audit Department
 - Legal Department

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary	Eng. Eric Murithi Mugaa
2.	Accounting Officer	Mr. Julius Korir, CBS
3.	Secretary Administration	Mr. Stephen Kihara
4.	Water Secretary	Eng. S. O. Alima, CBS
5.	Director, Human Resource Management and Development	Mr. Albert Mokuu
6.	Ag. Director, Sanitation Management	Eng. Mary Wamaitha
7.	Director, Water Storage and Flood Control	Eng. Martin Ngaa
8.	Director, Water Sewerage and Sanitation Development	Eng. Mary Wamaitha
9.	Director, Department of Trans-Boundary Waters	Ms. Gladys Wekesa
10.	Director, Department of Water Infrastructure Dev	Eng. Simon Korir
11.	Director, Special Programmes	Ms. Eunice Mugera
12.	Ag. Director Water Resources	Eng. Andrew M. Kinyua

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13.	Ag. Director Legal Department	Ms. Rose Nyakwana
14.	Director, Planning	Mr. Richard Mwarema
15.	Head Finance	Mr. Patrick Kimathi
16.	Head Accounts Unit	Mr. James K. Karori
17.	Head Internal Audit	Mr. John Kariuki
18.	Chief Mechanical Engineer	Eng. Charles Nzuka
19.	Head Public Communication	Mr. John Mwandikwa
20.	Head Supply Chain Management Services	Mr. Aggrey Kituyi
21.	Head, Information Communication Technology	Mr. Daniel Owino
22.	Head Records Management	Ms. Anne Munene
23.	Library Services	Mr. Josephat Odinga

(d) Fiduciary Oversight Arrangements

a) Audit Committee Activities

- Reviewing and monitoring the external auditor’s independence and objectivity, taking into consideration relevant professional and regulatory requirements. In fulfilling its duties, the committee reviews with the external auditors, the scope of their audit plan, system of internal audit reports, assistance given by management and its staff to the auditors and any findings and actions to be taken.
- Reviewing any related party transactions that may arise within the State Department.
- Reviewing communication between external auditors and management including responses on audit queries on the annual financial statement raised by the Auditor General.
- Following up on recommendations of the Parliamentary Accounts Committee (PAC)

b) Public Finance Management Committee

This is the committee charged with the responsibility of implementation of the State Department’s budget and its prudent management. The duties of the committee include:

- To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Department.
- To participate in sector working groups
- To review and consider the cash flow plans
- To review the utilization of the cash limits and consider any changes as may be required;
- To review the utilization of the donor funds voted for the State Department.

- To advise the accounting officer on the challenges related to the budget implementation
- To review and recommend the reallocation of payments
- To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken.

c) Senior Management Committee

Senior Management Committee is comprised of the Cabinet Secretary, Principal Secretary, Water Secretary, Chief Executive Officers of all Water Agencies and Heads of Departments in the Ministry who are mainly the AIEs Holders.

The Committee also highlights the major challenges and the way forward in achieving the targets of the Ministry as regards performance.

d) Other oversight activities

The Ministry undertakes Monitoring and Evaluation activities on regular basis. The Ministry has performance contracts signed between All Agencies and departments of the Ministry and the Cabinet Secretary, which are reviewed on quarterly basis.

Internal Auditors undertake systems audit regularly and advice on areas of improvement.

All recommendations and observations by the Office of the Auditor General and the Parliamentary Accounts Committee are followed up and acted upon in time.

e) Ministry for Water, Sanitation and Irrigation Head Quarter

P.O. Box 49720 - 00100
Maji House
Ngong Road
NAIROBI, KENYA

Entity Contacts

Telephone: (254) 020 - 2716103
E-mail: ps@water.go.ke
Website: www.water.go.ke

f) Entity Bankers (all banks)

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

g) Independent Auditors

Auditor – General
Office of The Auditor General

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Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA

h) Principal Legal Adviser

The Attorney General
State Law Office & Department for Justice.
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. Statement of Governance

The Ministry of Water, Sanitation, and Irrigation, as outlined in Executive Order No. 2 of 2023 dated November 1, 2023, is structured into two State Departments: The State Department for Water and Sanitation, and the State Department for Irrigation. Each State Department features a Technical Directorate and a Shared Services Directorate, which assign responsibilities to various officers according to their schemes of service, spanning from the highest to the lowest cadre.

The Cabinet Secretary is responsible for overall policy direction and supervision, serving as the primary advisor to the President and Parliament on water and sanitation policy, and coordinating the implementation of policies across the Ministry.

Additionally, the Ministry provides policy guidance, capacity building, resource mobilization, coordination, and oversight to nine Waterworks Development Agencies, two Authorities, three regulators, two training institutions, and the Water Sector Trust Fund, in collaboration with County Irrigation Development Units (CIDUs) and Water Service Providers (WSPs) at the county level.

	<p>Eng. Eric Murithi Mugaa took charge of the Ministry of Water, Sanitation and Irrigation on 8th August, 2024.</p> <p>CS has extensive experience in Water Resources Management, Infrastructure Development in Water, Sanitation and Irrigation and also Non-Revenue Water management</p> <p>Prior to his appointment as Cabinet Secretary, he served at Mangat I.B. Patel (MIBP) Ltd Consulting Engineers from 2017 to 2024.</p> <p>He is a visionary leader at the forefront of developing policies and strategies for the sustainable management of water resources, sanitation and irrigation and also the management of all matters regarding the Ministry.</p> <p>.The CS holds a Master of Science degree in Civil Engineering (Water Resources) and a Bachelor of Science in Civil and Construction Engineering</p>
<p>Eng. Eric M. Mugaa Cabinet Secretary Ministry of Water, Sanitation and Irrigation</p>	

The Principal Secretary is the Accounting Officer and Authorized officer and coordinates policy development, oversees general administration, and assists the Cabinet Secretary in managing the State

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Department's daily operations. The Ministry maintains a strong, public-oriented structure focused on formulating and implementing government policies for development



**Julius Korir CBS, Principal Secretary,
State Department for Water and
Sanitation, MoWSI**

Currently the Principal Secretary for Water and Sanitation under the Ministry of Water, Sanitation and Irrigation. Has served as a Principal Secretary from 2014 to date in various State Departments namely; Industrialization, Health, Infrastructure, Youth, Public Service, Devolution and recently Cabinet Affairs.

Was Senior Manager in the field of international business development with extensive experience in export marketing, promotion, and market research. Vast experience also in investment promotion, programme development and project management.

Experienced in developing relationships with development agencies at senior officials level. Interface with companies at CEO/senior manager level. Liaison with international agencies such as World Bank, IFC, EC, USAID, JICA, CBI, ITC and UNIDO.

2, Management Committees established and their roles

i) Budget Implementation Committee (BIC)

Established in line with National Treasury Circular No. 7/2023 Ref. No. ES/03 'U' (2) dated 21st

June 2023 BIC role include

- To review and consider the cash flow plans – this shall involve a regular review of the Ministerial cash plan and approval of any changes to the initial cash flow plan to be communicated to National Treasury;
- To review the utilization of cash limits and consider any changes as may be required;

- To review the utilization of donor funds voted for the MDA;
- To advise the Accounting Officer on the performance of the entire budget during implementation stage and any challenges related to the budget implementation;
- To review and recommend reallocation of expenditures;
- To review and approve the submission of the expenditure returns, IPPD, pending bills and A-I-A returns and recommend actions to be taken and produce reports on overall performance of budget;
- To participate in Sector Working Groups; and
- To prepare the budget in consultation with Heads of Department

ii) Project Committee

The SDW&S has an established Projects Committee in line with The Public Finance Management (Public Investment Management) Regulations, 2022 section 13 and 14. The role of the committee is

- To review project concept notes and make recommendations to the accounting officer for decision making within twenty-one days;
- To review project pre-feasibility and feasibility studies and make recommendations to accounting officer for decision making;
- To identify the potential project risks and mitigating measures not covered in the project concept note, pre-feasibility or feasibility studies;
- To prioritize projects based on the National Government Ministries, Departments and Agencies Strategic Plan, Medium Term Plan, and national;
- To recommend the mode of project financing; and
- To provide guidance on any changes in the project design)
- To ensure projects are aligned to the National Development

iii) Human Resource Management and Advisory Committee

The SDW&S has a Human Resource Management and Advisory Committee in line with Public Service Commission Circular Ref. No. PSC/SEC/93/37/Vol.VI/ (140) dated 19th January 2023. The role of the committee is:

- Recruitment, selection and appointment;

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- Promotion;
- Confirmation in appointment;
- Establishment and Complement Control;
- Payroll management;
- Deployment;
- Promotion of Values and Principles of Public Service and ensuring compliance;
- Administration of the declaration of income, assets and liabilities and the public officer code of conduct and ethics for officers in Job group 'M' and below;
- Report quarterly on the initial and final declaration of income, assets and liabilities for all officers;
- Monitor and report quarterly on compliance with National Values and Principles of Governance of Public Service;
- Monitor and report quarterly on the discharge of Human Resource function;
- Recommendation for waiver of requirements of the Scheme of Service;
- Recommendation for review of career guidelines;
- Recommendation for secondments and unpaid leave;
- Recommendation for retirement under 50 Year Rule;
- Recommendation for retirement on medical grounds;
- Recommendation for retirement on voluntary grounds;
- Recommendation for engagement of interns;
- Recommendation for re-designation;
- Recommendation for engagement and renewal of contract;
- Recommendation for Public Service Excellence Awards;
- Disciplinary control;
- Pension Management;
- Staff Welfare, Health and Safety.

3. Audit Committee

The Audit Committee for the Ministry of Water Sanitation and Irrigation was constituted in May 2024 with the following being members:

Ms. Hannah Nyambura Ndungu	Chairperson
Mr. Patrick Mutisya Mbithi	Member
CPA Dr. Dorothy Chepnegetich	Member
Mr. Ololchike Spencer Sankale	Member
Mr. Timothy Munyole	Member
Mr. John Kariuki	Secretary

The Audit committee meets quarterly to deliberate on audit quarries and follow up on the implementation of recommendations of internal and external auditors

4. Risk Management

The State Department is fully aware of the Risky environment they are operating in. In a risk assessment conducted by the Head of Internal Audit in the month of June 2024, the Heads of Departments clearly captured the risks (in their opinion) would hinder achievement of their objectives. The report of these findings is attached herewith.

While mitigation of these risks has been undertaken through institutional arrangements and the established legal framework, a comprehensive risk management framework is underway and would be completed within the first quarter of this financial year.

5. Report on recent training and development in governance for those in key leadership

Member of the Human Resource Management and Advisory Committee underwent a five days training(10th – 15th March 2024) conducted by Public Service Commission topics covered include Legal Framework for Management of HRM&D, Functions of PSC and Delegated Powers, Overview of the Functions of the Human Resource Management Advisory Committee (HRMAC), Performance Management, Training and Internship program., Mental health and Staff Wellness at the workplace, Promotion of National Values and Principles in Public Service ,Discipline Management and Procedure as per the PSC directives and Organization development and Optimal Staffing

6. Public participation

The State department for water and sanitation undertook the following public participation for Hydrology Amendment Bill 2024 in seven regions,

The state department also undertook Tree planting in the following catchment basins: Mwache, Lamu, Homabay and Kwale. The State department in collaboration with CBOs and Public Primary and Secondary schools, mobilised restoration of forest areas in various counties including Kakamega, Kilifi,, Nakuru , Vihiga, Bomet Meru and Kericho counties. This resulted in a total of 663,466 trees planted.

In addition, the State Department also established a one- acre vegetable demonstration farm at Lodokejek Primary School in Samburu County. This will help promote nutrition of the Learners and the surrounding community.

7.Compliance with Laws and Regulations among Others

The Constitution of Kenya articles 43d, 43c and 43b entitles every person to the right to water, reasonable standards of sanitation as well as food security. The Constitution under Sec 6 (3) further provides that the two levels of government shall work in consultation and cooperation.

In compliance with the laws and regulations the Ministry of Water, sanitation and Irrigation has ensured that there is fair distribution of allocated budgetary resources so many communities to have access to clean and safe water, approved sanitation services and sewage services. The ministry also continued to adhere to procurement and financial regulations The Ministry has also ensured there are opportunities for women youth and people with disabilities in procurement in executing its mandates.

4. Statement by the Cabinet Secretary

The Constitution of Kenya articles 43d, 43c and 43b entitles every person to the right to water, reasonable standards of sanitation as well as food security. The Constitution under Sec 6 (3) further provides that the two levels of government shall work in consultation and cooperation.

The mandate of the Ministry of Water, sanitation and Irrigation is development and management of Water Resources, Sanitation, Irrigation, Drainage and Land Reclamation. In discharging its mandate, the Ministry is guided by key policy documents which include the Constitution of Kenya, the Kenya Kwanza Manifesto through the Bottom-Up Economic Transformation Agenda (BETA), the Fourth Medium Term Plan 2022-2027 (MTP IV) of the Kenya Vision 2030, Ministry Strategic Plan 2023-2027, Legal and regulatory framework: The Water Act 2016, the Irrigation Act 2019 and National Water Policy of 2021. The mandate of the Ministry is also aligned to the African Union Agenda 2063, the Africa Water Vision 2025 and the global Sustainable Development Goals (SDGs) No.2, 6 and 15. Similarly, as outlined in the Fourth schedule of the CoK, the National Government is mandated to provide policy guidance and strategies aimed at protecting, conserving, and managing water resources as well as development of national public water and sewerage works.

The Ministry has a target of increasing access to safe and clean water to 80% by the end of June 2027 from 70% in 2022; and 90% access to reasonable standards of sanitation services from 66% in 2022 while reducing the share of Non-Revenue Water to less than 25% through implementation of various programs and projects.

A key priority area under the Bottom-Up Economic Transformation Agenda (BETA) of the Government is to eradicate hunger and make Kenya a food-secure nation. The Ministry plays a key role in supporting food and nutrition security through irrigation. During the planned period, the Ministry shall implement priority interventions and programmes geared towards increasing the area under irrigation to 1,289,142 by 2027. Water storage capacity will be increased from 4,137 million cubic meters to 13,178 million cubic meters, an increase of 9,041 million cubic meters. This will increase the per capita water storage from 107 to 234 m³. To realize these targets, the ministry has prioritized a number of policies, legal and institutional reforms as well as programmes and projects which are at different stages of implementation for instance; the Ministry is fast-tracking the construction of large multipurpose dams which includes; Thwake Dam (93% complete), which will supply 150,000 cubic meters of water per day to Makueni County and its surroundings, construction of Mwache is on-going, Karimenu II Dam is complete and Operational, Yamo Dam is complete, three peace dams: Kases in West Pokot; Forolle in Marsabit and Naku'etum in Turkana are completed. Additionally, 23 water pans, sand dams, and small dams have been developed in various parts of the country, achieving over 1.3 million m³ of surface water storage. The implementation of 26 social dams with a total capacity of 151,860,999 cubic meters, targeting a supply of 312,168 m³/day, is also ongoing.

The Ministry and its agencies planted 875,019 tree seedlings nationwide during the financial year 2023/2024. Additionally, Water quality monitoring was conducted in rivers upstream of the Thwake

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Dam, including the Mathare, Ngong, Nairobi, and Mbagathi rivers, where 18 stations were monitored and an awareness forum was held. Additionally, three hydrogeological surveys were conducted in Kajiado and Narok, leading to the drilling of an exploratory borehole at Kipketi Primary School. Seven Sub-Catchment Management Plans (SCMPs) were developed, and eight springs were protected. Furthermore, 27 regular gauging stations were rehabilitated, with one station automated. Aquifer assessments were carried out for the Lotikipi/Napuu, Merti, Neogene, Walda-Rawana, Logologo-Shuur, Mandera West, and Elwak aquifers. Groundwater mapping for Wajir, Turkana, and Marsabit counties was completed and potential maps submitted with process of mapping Mandera County, Athi, and Tana Basin areas covering 17 counties was ongoing. The Annual Lake Report was published for stakeholders, and hydrological assessments were conducted for three lakes: Baringo, Ol' Bolosat, and Kenyatta.

The State Department embarked on several initiatives aligned with the Bottom-Up Economic Transformative Agenda (BETA) to enhance water security for irrigation, domestic, industrial uses, and hydro-power generation through Public-Private Partnerships (PPP). To achieve this, fifty-six dams with a storage capacity of 8.16 BCM were considered, targeting to benefit 19,214,705 people with domestic water. Eight dams received Privately Initiated Proposals (PIPs), with three proposals (Sabaki Carrier, Lamu Advanced Desalination Plant, and Londiani Dam Water Supply and Irrigation Project) having received PIP approval, while five proposals (Maragua IV, Mzima II Pipeline, Ndarugu II, Two Rivers, and Deep-Sea Desalination Projects) are currently under due diligence and evaluation.

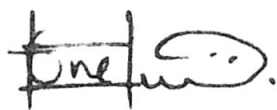
Despite these achievements, perennial challenges impede the State Department from achieving its objectives. These challenges include low investment in the sector, budget cuts, delayed disbursements, and inadequate counterpart funding; the high cost of implementing Resettlement Action Plans (RAP); the slow process of land acquisition, compensation, securing wayleaves, and the forest moratorium affecting large infrastructure projects; non-recovery of loans for infrastructure developed using donor funds by Water Works Development Agencies and transferred to county governments for management and maintenance; climate change and associated extreme weather conditions (flooding and drought), which threaten the sustainable development of water resources; environmental degradation and illegal encroachment on water catchment areas; high energy costs for treating and pumping water, impeding affordability; high levels of non-revenue water and inefficiency in water use; vandalism of water infrastructure; and conflicts over trans-county water resources.

This Annual Financial Report and Statements is a crucial document which tracks the state of the Ministry's development and key achievements towards realization of universal access to water and sanitation services, increase food security and its sustainable management through implementation of the developed policies and strategies in the utilization of allocated resources. Equally, it provides opportunity to understand the challenges and emerging issues in the water, sanitation and irrigation sector. The report keeps the Ministry and stakeholders informed on progress and the bottlenecks to the Ministry's development. The Ministry therefore, have to ensure that the challenges impeding sector development are adequately addressed towards realization of right to clean and safe water, reasonable

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Ministry's development. The Ministry therefore, have to ensure that the challenges impeding sector development are adequately addressed towards realization of right to clean and safe water, reasonable standards of sanitation and adequate food for acceptable quality for progressive national development agenda. The Ministry will continue to successfully implement policy, legal and institutional reforms to address these challenges and accelerate unhindered achievement of its desired mandates.

In conclusion, we remain focused to realize the ultimate goal by utilizing allocated resources in the implementation of projects, programmes and policies that will ensure increased provision of water and sanitation services, food and nutrition security and the realization of the National Development Goals under Vision 2030, Sustainable Development Goal No.6 on Water and Sanitation and Goal No. 2 on Zero Hunger; and the African Agenda 2063.



ENG. ERIC MURITHI MUGA
CABINET SECRETARY
MINISTRY OF WATER, SANITATION AND IRRIGATION

5. Statement by the Principal Secretary / Accounting Officer

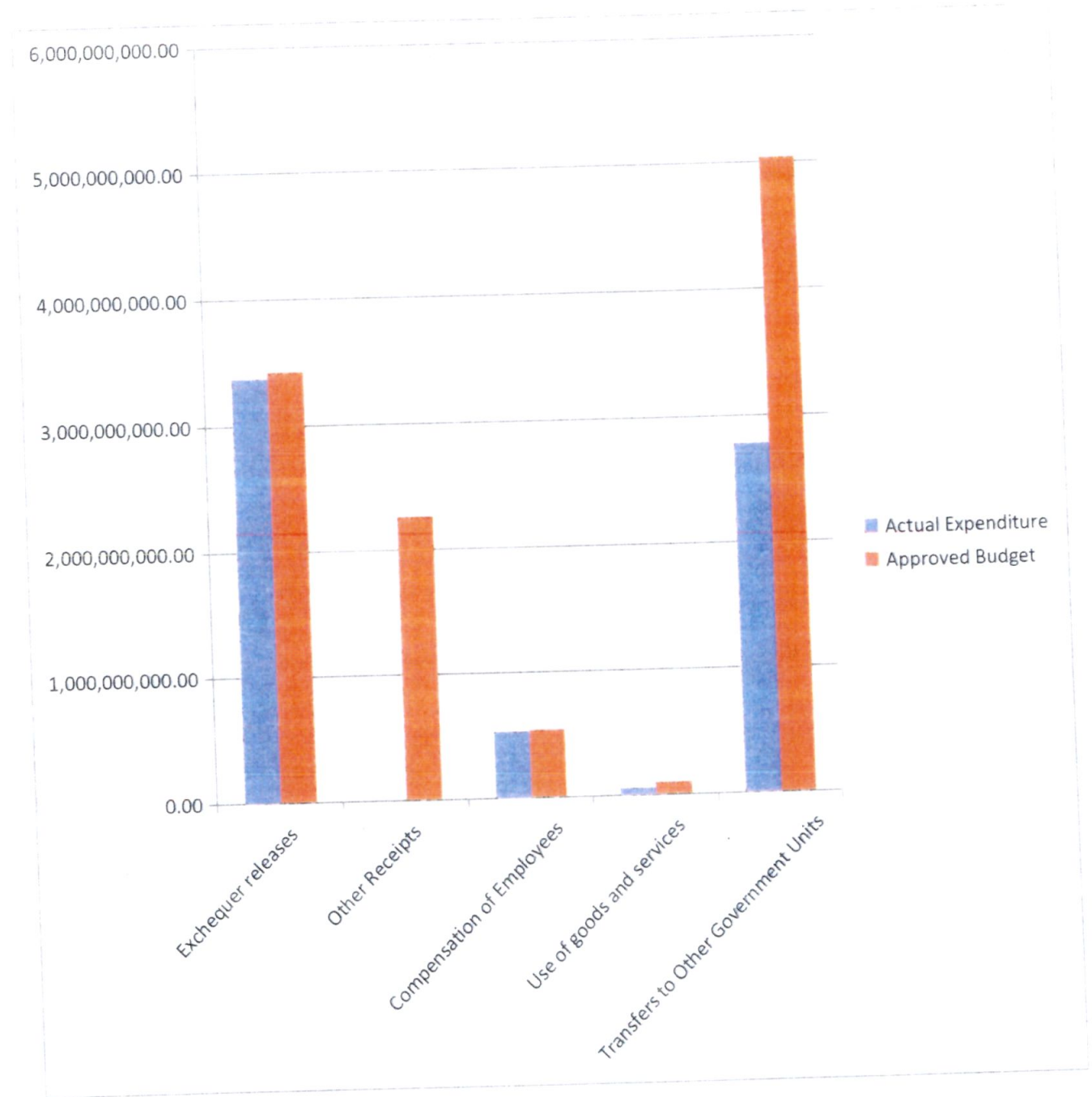
During the review period, the Budget allocation for the Ministry was Kshs. 50,369,562,624.00 in financial year 2023/24 while actual expenditure was Kshs. 37,019,251,817 translating to 71% absorption level. The Recurrent approved budget was Kshs. 5,686,800,386.00 against an expenditure of Kshs, 3,375,129,237 translating to an absorption level of 59.23% Further, the Development approved budget was Kshs. 44,682,762,238.00 against an expenditure of Kshs, 33,644,122,580 translating to an absorption level of 77% The Ministry recurrent and development expenditure, per programme and sub-programme is presented below from tables 1 to 3.

Table 1: Analysis by Category of Expenditure and a comparison between Approved and Actual Budget: Recurrent (Kshs.)

Receipt/Expense Item	Approved Budget	Actual Expenditure
Receipts	Kshs	Kshs
Exchequer releases	3,426,300,386	3,375,980,154
Other Receipts	2,260,500,000	888,000
TOTAL	5,686,800,386	3,376,868,154
Payments		
Compensation of Employees	540,000,000	518,982,246
Use of goods and services	100,251,191	74,332,514
Transfers to Other Government Units	5,037,400,000	2,781,814,477
Acquisition of Assets	9,149,195	-
TOTAL	5,686,800,386	3,375,129,237

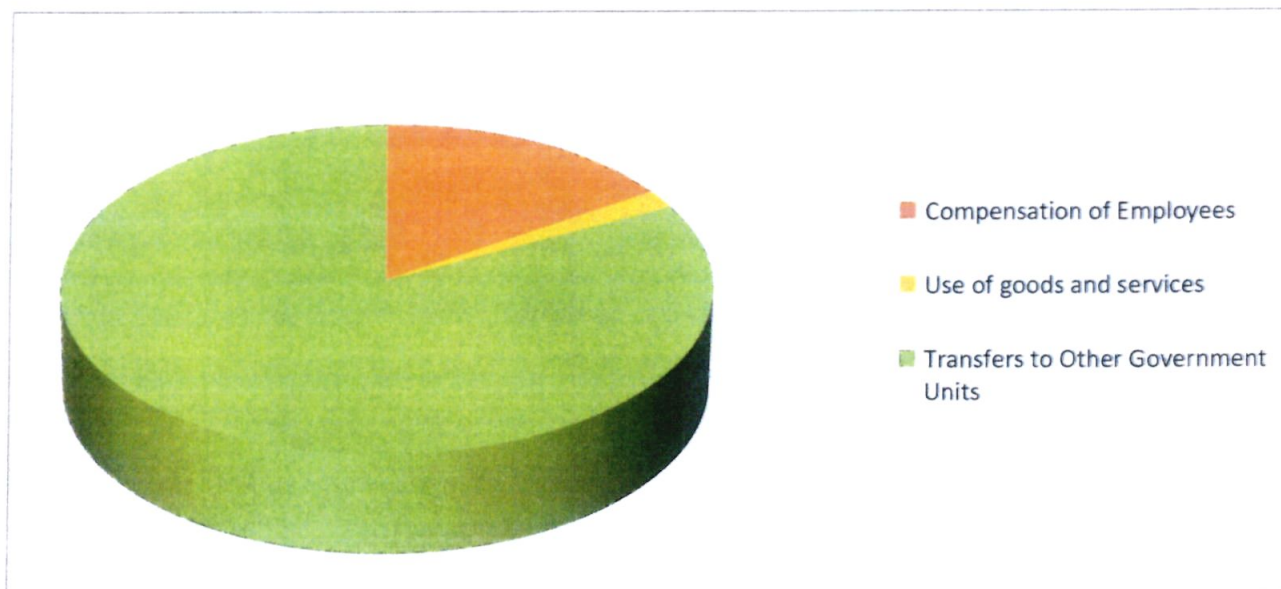
*The average budget utilization on recurrent expenditure was 75% of the Approved Budget as represented on the Bar chart below. This was due to budget cuts and lack of exchequer Releases.

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Analysis of Actual Expenditure: Recurrent Vote

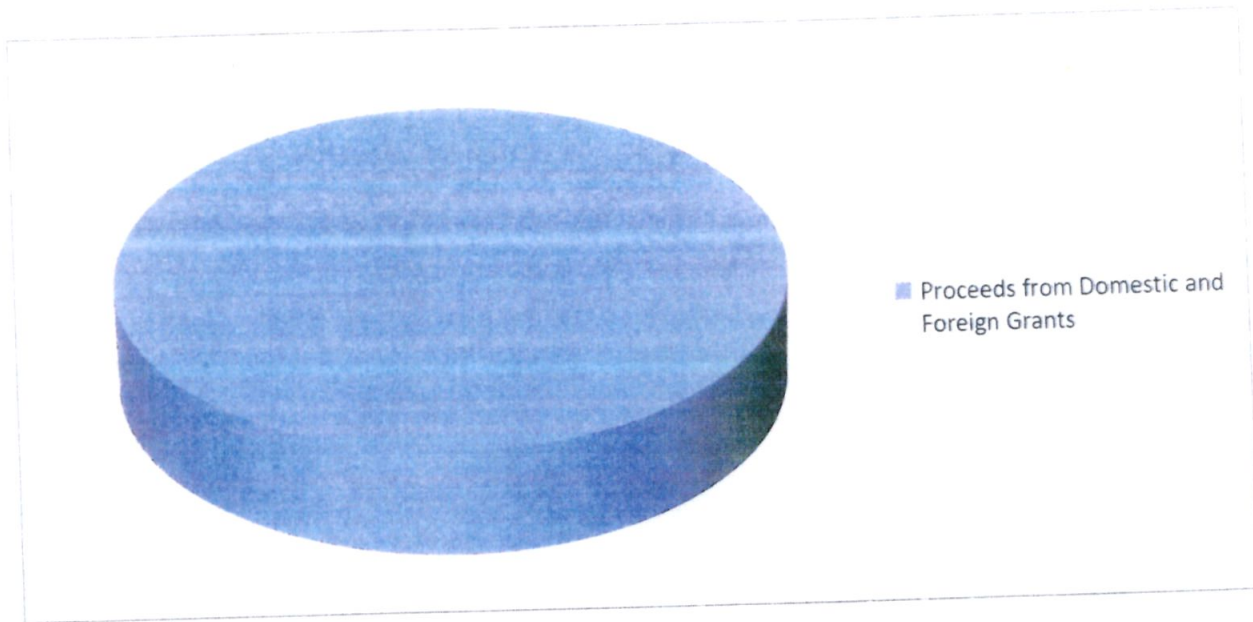


*As per the above Table 99.8% of the receipts are from Exchequer requisition while 75% of Expenditures are utilised under Transfer to other Government units as represented in pie chart above.

Table 2: Analysis by Category of Expenditure: Development (Kshs.)

Receipt/Expense Item	Approved Budget	Actual Expenditure
Receipts	Kshs	Kshs
Proceeds from Domestic and Foreign Grants	496,000,000	335,942,716
Exchequer releases	30,254,000,000	20,476,038,983
Proceeds from Foreign Borrowings	13,932,762,238	12,832,572,140
TOTAL	14,428,762,238	33,644,553,839
Payments		
Transfers to Other Government Units	44,612,762,238	33,587,780,479
Acquisition of Assets	70,000,000	56,342,101
TOTAL	44,682,762,238	33,644,122,580

Analysis of Receipts: Development Vote

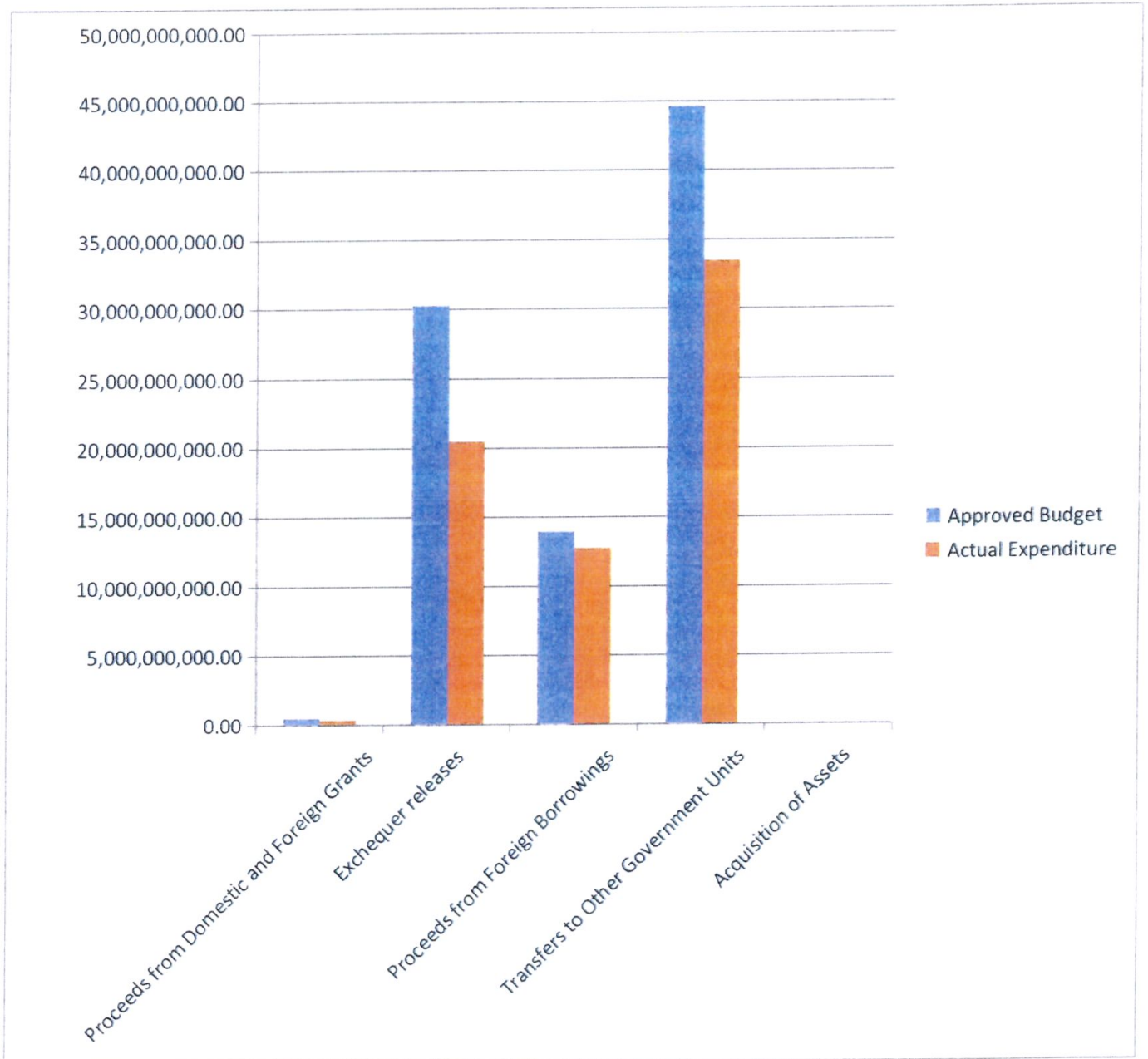


68% of Receipts from Development vote is from Exchequers and proceeds from domestic and foreign borrowing on the pie chart above. 99.8% of the same is applied on Transfers to other Government units as reflected on the table.

Analysis of Expenditure; Development Vote

A comparison of Approved budget and Actual expenditure shows that the chunk of budgetary allocation is much under transfer to Governments units and the same to actual budget. The below Bar graph is a pectoral representation of the approved Budget versus the actual expenditure. It shows that the chunk of receipts' approved is utilised on transfer to other Government units. The non-100% utilization i due to Budget cuts and lack of Exchequers.

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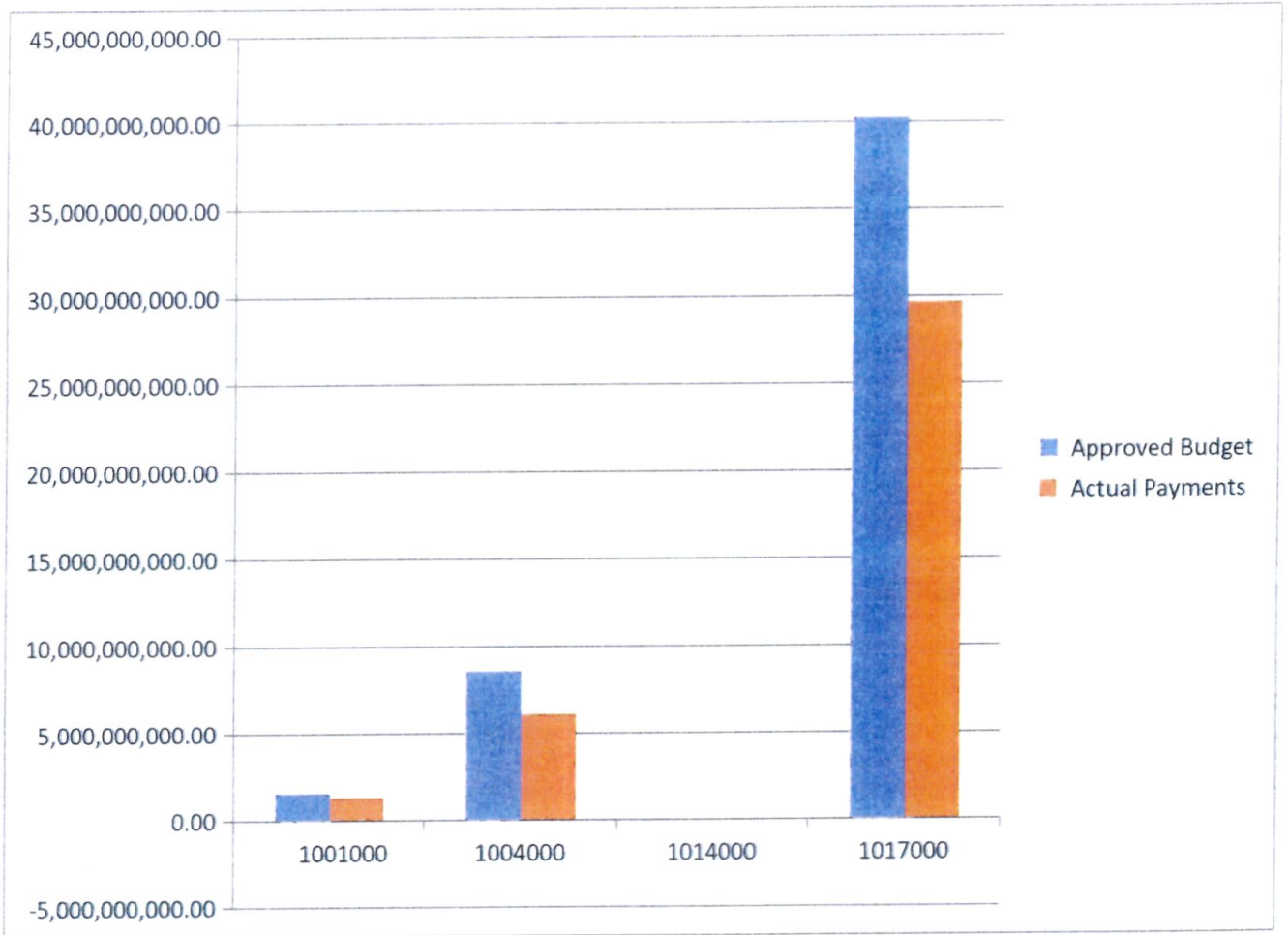
Average Budget utilization was above 75%, a chunk of which goes to Transfer to other Government units

Table 3: Budget Execution by Programmes and Sub-Programmes

Program	Sub Program	Description	Approved Budget	Actual Payments
1001000000		General Administration, Planning and Support Services	1,563,698,196	1,316,949,686
	1001020000	Water policy Management	1,563,698,196.00	1,316,949,686
1004000000		Water Resources Management	8,571,020,965	6,078,020,468
	1004010000	Water Resources conservation and Protection	8,481,020,965	5,988,842,634
	1004040000		90,000,000	89,177,834
1014000000			-	(56,000)
	1014030000		-	(56,000)
1017000000			40,234,843,463	29,631,123,227
	1017010000		32,763,843,463	23,234,187,810
	1017020000		7,471,000,000	6,396,935,417
		Grand Total	50,369,562,624	37,026,037,381

The table above and as represented by the graph below the chunk of the Approved Budget that is 80% and the Chunk of Actual expenditure is covered under Water resource management. And as can be seen from the table and bar graph; above 73% of the Budget was utilised. Which means if 100% of the budget could be realised and with availability of exchequers then the whole amount could have been utilised.

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During the FY 2023/24 the State Department implemented three programs and five sub-programs. These were: The General Administration, Planning, and Support Services program, with the Water Policy Management sub-program; the Water Resources Management program, with the Water Resources Conservation and Protection and Transboundary Water sub-programs; and the Water and Sewerage Infrastructure Development program, with the Sewerage Infrastructure Development and Sanitation Infrastructure Development & Management sub-programs.

The State Department's total allocation for FY 2023/24 was Kshs. 50,370 million, with Kshs. 5,686 million allocated for Recurrent expenditure and Kshs. 44,682 million for Development expenditure. This represented a significant budget decrease of 24% from the previous allocation of Kshs. 66,943 million in FY 2022/23. The actual Recurrent expenditure amounted to Kshs. 3,375 million, resulting in an absorption rate of 100%, while the Development expenditure was Kshs. 33,644 million, translating to an absorption rate of 76%.

In the FY 2023/24, the State Department formulated various policies plans, systems, and mechanisms to gradually achieve universal access to water and sanitation. This was to be accomplished through both short-term and long-term interventions, including increasing water harvesting and storage capacity, constructing and expanding sewerage systems, developing and expanding water supply networks, and implementing sewerage and sanitation programs.

In the period under review, the National Sanitation Management Policy received Cabinet approval and was sent to the Office of the Attorney General for forwarding to Parliament. The Water (Amendment) Bill in Parliament awaiting mediation, while the Kenya Water Training and Research Institute (KEWATRI) Bill was finalized and forwarded to the Cabinet for approval. National validation for the Hydrologists (Amendment) Bill was completed and sent to the Office of the Attorney General. The Water (Resources) Regulations were being drafted by the Attorney General's office, while the drafting of the Water (Services) Regulations and Water (Harvesting and Storage) Regulations was completed and sent to the State Department for the Cabinet Secretary's signature. Additionally, the national validation for the Hydrologists Rules and Regulations was completed and forwarded to the Office of the Attorney General.

Similarly, during the period under review, access to national water services increased from 70% 2022/23 to 73%. Whilst access to safely managed Sanitation improved from 32 % in 2022/23 to 32% in 2023/24. This was attributed to expansion in 19 water infrastructural projects across the country that included ; Malaba Water Supply Project, Kerugoya and Kutus Sewerage Project, Kikuyu Water and Sewerage Project, Limuru Water and Sewerage Project, Kiambu and Ruaka Water and Sewerage Project, Malindi Water Sewerage Company—Watamu Town Lot 2A Works in CWSB Area, Kendu Bay Water and Sewerage Project, Unguja-Ukwala-Sega Water Supply and Sewerage Project, Keroka Water Supply Last Mile Connectivity Project, Chogoria Sewerage Project, Chuka Sewerage Project, Malaba Sewerage Project, Water & Sanitation Services.

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Improvement Project, Lake Victoria Water Supply & Sanitation Programme Phase II, Kisumu Water Supply LTAP1, Vihiga Cluster Project Belgium Funding, Thika&Githunguri Water and Sanitation Project, Homa Bay Water Supply Improvement Project and Garissa Sewerage Project. In addition, 133 public institutions were connected with water.

Furthermore, the Water and Sanitation Development Project (WSDP), currently at 65% completion rate, will enhance access to water services for approximately 2.02 million people in Kenya's coastal region and marginalized North Eastern counties. Meanwhile, 12 projects under the Kenya Towns initiative are in advanced stages of completion, with over 75% of the work undertaken. The State Department has also began implementing the Horn of Africa Groundwater for Resilience Regional Program, which aims to increase sustainable access to and management of groundwater in the Horn of Africa borderlands. This program targets the rehabilitation of 400 rural water schemes, benefiting approximately 1.5 million people in Mandera, Garissa, Wajir, Turkana, and Marsabit counties. Furthermore, preparations for the K-WASH Program, a component of the Kenya National Water and Sanitation Investment and Financing Plan (NAWASIP) 2022-2030, have been completed. This initiative aims to benefit 3 million people in 19 selected counties.

To reduce Non-Revenue Water from the current 45% to an acceptable level of 20% by 2030, several initiatives were undertaken: capacity building and dissemination of best practices and emerging solutions for Non-Revenue Water, dissemination of Non-Revenue Water standards to all Water Service Providers in eight regions, and mobilization and formation of NRW coordination structures at the county level to spearhead Non-Revenue Water activities. These efforts led to a reduction of Non-Revenue Water to 43%.

The State Department fast-tracked the construction of large multipurpose dams, including Thwake Dam (93% complete), which will supply 150,000 cubic meters of water per day to Makueni County, including Konza City. Additionally, 23 water pans, sand dams, and small dams were developed in various parts of the country, achieving over 1.3 million m³ of surface water storage. The implementation of 26 social dams with a total capacity of 151,860,999 cubic meters, targeting a supply of 312,168 m³/day, is also ongoing.

The State Department and its agencies planted 875,019 tree seedlings nationwide during the financial year 2023/2024. Additionally, Water quality monitoring was conducted in rivers upstream of the Thwake Dam, including the Mathare, Ngong, Nairobi, and Mbagathi rivers, where 18 stations were monitored and an awareness forum was held. Additionally, three hydrogeological surveys were conducted in Kajiado and Narok, leading to the drilling of an exploratory borehole at Kipketi Primary School. Seven Sub-Catchment Management Plans (SCMPs) were developed, and eight springs were protected. Furthermore, 27 regular gauging stations were rehabilitated, with one station automated. Aquifer assessments were carried out for the Lotikipi/Napuu, Merti, Neogene, Walda-Rawana, Logologo-Shuur, Mandera West, and Elwak aquifers. Groundwater mapping for Wajir, Turkana, and Marsabit counties was completed and potential maps submitted with process of mapping Mandera County, Athi, and Tana Basin areas covering 17 counties was ongoing. The Annual Lake Report was

published for stakeholders, and hydrological assessments were conducted for three lakes: Baringo, Ol' Bolosat, and Kenyatta.

The State Department embarked on several initiatives aligned with the Bottom-Up Economic Transformative Agenda (BETA) to enhance water security for irrigation, domestic, industrial uses, and hydro-power generation through Public-Private Partnerships (PPP). To achieve this, fifty-six dams with a storage capacity of 8.16 BCM were considered, targeting to benefit 19,214,705 people with domestic water. Eight dams received Privately Initiated Proposals (PIPs), with three proposals (Sabaki Carrier, Lamu Advanced Desalination Plant, and Londiani Dam Water Supply and Irrigation Project) having received PIP approval, while five proposals (Maragua IV, Mzima II Pipeline, Ndarugu II, Two Rivers, and Deep-Sea Desalination Projects) are currently under due diligence and evaluation.

The State Department for Water and Sanitation, in collaboration with e-Citizen, initiated the digitalization of back-office and citizen-centric services. Six citizen-centric services were on boarded to the e-Citizen platform: Water Professional Application License, Water Contractor License Application, Water License Renewal & Amendment Generator, Sale of Water Data, Cash Refund, and Sale of Bonded Items. Additionally, four back-office functions were digitalized: Human Resource Records, Planning and Design, Operations & Coordination, and Development Programme.

Despite these achievements, perennial challenges impede the State Department from achieving its objectives. These challenges include low investment in the sector, budget cuts, delayed disbursements, and inadequate counterpart funding; the high cost of implementing Resettlement Action Plans (RAP); the slow process of land acquisition, compensation, securing wayleaves, and the forest moratorium affecting large infrastructure projects; non-recovery of loans for infrastructure developed using donor funds by WWDAs and transferred to county governments for management and maintenance; climate change and associated extreme weather conditions (flooding and drought), which threaten the sustainable development of water resources; environmental degradation and illegal encroachment on water catchment areas; pollution of water resources due to low sewerage coverage, which poses a major threat to water quality and public health; high energy costs for treating and pumping water, impeding affordability; high levels of non-revenue water and inefficiency in water use; vandalism of water infrastructure; and conflicts over trans-county water resources.

To address these challenges related to the provision of water and sanitation services, the State Department will continue lobbying for enhanced budgetary allocations through the MTEF process and further rationalize its activities to align with the allocated funds. It will also explore alternative models of financing projects, such as the PPP model, for infrastructure development. Besides, the State Department will develop and implement strategies to reduce non-revenue water, enhance infrastructure financing, improve governance, foster intergovernmental cooperation, and strengthen monitoring and evaluation processes.

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Furthermore, the State Department will focus on securing and acquiring project sites, wayleaves, and compensation for large infrastructure projects, as well as advancing technology and digitalization and managing trans-county water resources. The State Department will also prioritize the maintenance and rehabilitation of aging water and sanitation infrastructure, the implementation of climate-smart projects, and the strengthening of human resource capacity to meet evolving needs.

In conclusion, the State Department recognizes water and sanitation services as a cornerstone for food security, health and development. Accordingly, I hope that this report shall provide critical data and information that will guide the State Department and Agencies including Parliament and other sector players in designing policies and strategies towards the realization of the desired water security and efficient water resource management across the country.



Julius Korir, CBS
PRINCIPAL SECRETARY

6. Statement of Performance Against Predetermined Objectives for the FY2023/24

Introduction

The State Department's Strategic Plan (2023-2027) provides a foundation for realizing its broad mandate, which includes Water Resources Management Policy and Standards; Water Catchment Area Conservation, Control, and Protection; Water and Sewerage Services Management Policy; Wastewater Treatment and Disposal Policy; Water Quality and Pollution Control; Sanitation Management; Management of Public Water Schemes and Community Water Projects; and Water Harvesting and Storage for Domestic and Industrial Use.

The plan is guided by key laws and policies, including the Constitution of Kenya 2010, the Water Act 2016, the Kenya Water Institute (KEWI) Act 2001, and Legal Notice Number 252 of 2015, as well as several national and international performance and policy instruments, among them Vision 2030, the Kenya Kwanza Government's Bottom-up Economic Transformation Agenda (BETA), the East African Community Agenda 2050, Africa Agenda 2063, and the Global SDGs. These laws and policies emphasize the need for efficiency and better management in the utilization of natural resources to enable the government achieve its strategic goals of economic growth, poverty reduction and social stability.

During the 2023-2027 plan period, the State Department will focus on five key result areas: Policy, Legal, and Institutional Framework; Management, Protection, and Conservation of National and Transboundary Water Resources; Water, Sewerage, and Sanitation Development and Expansion; Water Harvesting and Storage; and Human Resource Capacity, Partnerships, and Resource Mobilization. For each of these areas, strategic objectives, strategies, and activities have been outlined to guide the implementation of the plan.

The Strategic Plan serves as a reference for the State Department to develop Annual Work Plans (AWPs) that are aligned with the budget allocated for each financial year. The AWPs detail the specific activities from the Strategic Plan to be carried out within the year and outline the Key Performance Indicators, delivery timelines, and the responsible Directorates, Departments, or Units. The annual work plans shall be the basis of the performance contracts of which the top management will commit annually to ensure efficient service delivery. The Performance Contract will then be cascaded to all departments and further to staff through performance appraisal.

The Strategic Plan provides a foundation for the State Department to create Annual Work Plans (AWPs) aligned with the budget for each financial year. These AWPs specify the activities from the Strategic Plan to be implemented during the year, along with the Key Performance Indicators, timelines, and the Directorates, Departments, or Units responsible for their execution. The AWPs will form the basis for performance contracts, which the top management will commit to annually to ensure efficient service delivery. These performance contracts will then be cascaded to all departments and further down to individual staff through performance appraisals.

The key development objectives of the Ministry's 2023-2027 plan are to:

- i. Enhance Sector Governance and Leadership through formulation and implementation of Policies, Strategies and compliance to the Water Act, 2016
- ii. To increase the per capita freshwater endowment from 452 M³ to 700 M³ through management, protection, and conservation of water resources by 2027.

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- iii. To increase the percentage of the national population with access to safe water from 72% in 2023 to 80% by the year 2027.
- iv. Increase access to safely managed Sanitation from 32% to 40% in 2027
- v. Increase Water Storage per Capita from 107M3 to 550M3 by 2027
- vi. Build human resources and financial capacity

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Progress on the attainment of Strategic objectives through Performance Contracting

The first year implementation of the 2023-2027 Strategic Plan was reviewed, and the findings on the extent of the results achieved during this period are summarized in the table below;

Program	Strategic Objective	Outcome	Outcome Indicator	Target	Achievement	Comment
Policy, legal and institutional framework	To enhance sector governance and leadership through formulation and implementation of 4 no. Acts, 3no. Policies, 2no. Frameworks and 4no. Strategies, 1no. guideline, and 6no Regulations in full compliance with the Constitution	Water Sector Governance and service delivery enhanced	Percentage of development	50	40	<ul style="list-style-type: none"> • The National Sanitation Management Policy received Cabinet approval and sent to AG for onward forwarding to Parliament for tabling • The Water (Amendment) Bill, 2023, aimed at operationalizing PPP in the Water Sector was finalized and is in Senate. • Further, the Water Laws (Amendment) Bill is currently undergoing stakeholder participation before forwarding to the Attorney General for further consideration. • The Hydrologist (Amendment) Bill 2023 has been developed, public participation done and approved by the Attorney General. • Water Resources, Water Services, Water Harvesting and Storage and
			Percentage of implementation	10	10	

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Program	Strategic Objective	Outcome	Outcome Indicator	Target	Achievement	Comment
						Hydrologists Rules and Regulations forwarded to the Office of the Attorney General
Management, protection, and conservation of National and Transboundary water resources	To increase the per capita freshwater endowment from 527 MM ³ to 700 MM ³ through management, protection, and conservation of water resources by 2027.	water per capita freshwater endowment improved	Total Renewable Water Resources (TRWR) per capita in m ³ /yr/cap	527	452	This is a result of rising water demand from key economic sectors, catchment degradation, encroachment of riparian land and wetlands, pollution, uncontrolled and unregulated use of water resource, climate variability and climate change and limited technical and enforcement capacities
			Proportion of bodies of water with good ambient water quality (%)	35.5	37	low sewerage coverage 32% and poor sanitation in informal settlements compounded further by unsatisfactory waste water discharges from treatment plants and industries into the environment and threatens the quality of water
			Proportion of transboundary basin area with an operational arrangement for water cooperation (%)	27	36	Kenya Government together with its riparian states has developed cooperative framework agreements, regional policies and Memorandum of Understandings (MoUs) among

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Program	Strategic Objective	Outcome	Outcome Indicator	Target	Achievement	Comment
Water and sewerage Development and Expansion-Access, and Coverage	To increase the percentage of the national population with access to basic drinking water service from 70% in 2023 to 80% by the year 2027.	Access to basic drinking water service in urban and rural areas	Proportion of national population with access to basic drinking water service	72	73	Achieved through completion of 62 ongoing water projects
			Proportion of urban population with access to basic water service	87	91	Attributed to completion of projects under projects under Kenya Towns, Kenya National Urban Water and sanitation Program
			Proportion of rural population with access to basic water service	59.4	65	Achieved through drilling, equipping and solarisation of boreholes in various parts of the country
	To increase the percentage of national population with access to improved sanitation from 70% in 2023 to 90% in 2027.	Improved access to improved sanitation services in urban and rural areas	Proportion of national population using improved sanitation service	70	68	
			Proportion of urban population with access to	92	93	Financed implementation of projects in underserved and unserved areas serving

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Program	Strategic Objective	Outcome	Outcome Indicator	Target	Achievement	Comment
			improved sanitation service			additional 157,000 people in urban informal settlements served with sanitation services
			Proportion of rural population with access to improved sanitation service	57	56	
			Improved access to sewerage in Urban areas	32	33	Attributed to completion of projects under projects under Kenya Towns, Kenya National Urban Water and sanitation Program connecting approximately 200,000 people with sewerage services
Water harvesting and storage	To increase the per capita freshwater endowment from 452 M ³ to 700 M ³ through management, protection, and conservation of water resources by 2027.	Capacity of water harvested and stored for domestic and industrial use increased	Water storage per capita in m ³ / cap	107	107	Large multi-purpose dams still ongoing. Additional water harvested from completed water pans/small dams
			Additional water storage in Million m ³	4,136	4,231	
Human resource capacity, Partnerships and	To build human resource and financial capacity through training of 467	Enhanced human resources capacity	No. of staff recruited annually	40	-	Awaiting the approval of the proposed organisation structure by PSC

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Program	Strategic Objective	Outcome	Outcome Indicator	Target	Achievement	Comment
collaboration for Resource mobilization	No. of staff annually, recruitment of 200 no. of staff and mobilization of Kshs 800 Billion by 2027	Enhanced partnerships and resource mobilization for the water sector	Amount in Kshs. Billion mobilized	130	49.46	Budget allocation for FY2023/24

Strategic Objectives 2023-2027

1. To enhance sector governance and leadership through formulation and implementation of 4 No Acts 3 No. Policies 2No. Frameworks 4 No. Strategies and 6 Regulations by 2027
2. To increase area under irrigation from 664,000 acres in 2022 to 1,289,142 acres by 2027
3. To increase percentage of national population with access to safe water from 72% in 2023 to 80% in 2027
4. To increase the percentage of the national population with safely managed sanitation from 33% in 2023 to 40% in 2027.
5. To increase National water storage capacity from 4,136M³ to 13,177M³ by 2027, for multipurpose use.
6. To increase the per capita freshwater endowment from 452 M³ to 550 M³ through management, protection, and conservation of water resources by 2027.

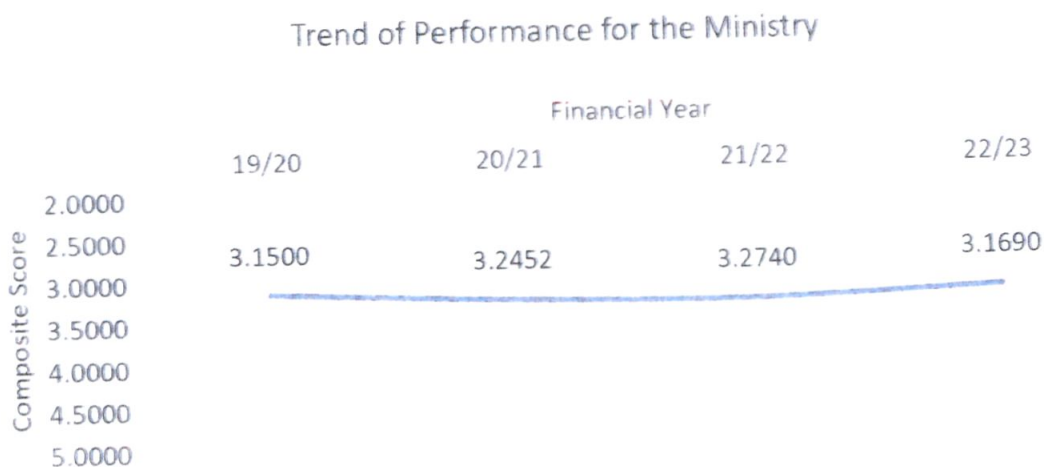
7. Management Discussion and Analysis

a. Operational and financial performance of the organisation for the last three to five-year period,

Since 2007, the Ministry has been implementing annual performance contracts, significantly improving the delivery of services to citizens. The Cabinet Secretary in the Ministry holds overall responsibility for the negotiation, implementation, monitoring, and evaluation of the Performance Contract for the Ministry (including the two State departments) and its State Corporations.

The Ministry of Water Sanitation and Irrigation has maintained a “GOOD” performance grade in performance Contract evaluations over years with a composite score of 3.2454, 3.2744 and 3.1690 in FY 2020/2021, FY 2021/2022 and FY 2022/2023 respectively as indicated in the table below;

PC performance for the Ministry



The budgetary allocations for both the Recurrent and Development budgets of the State department have been on a decreasing trend from Kshs. 77,868 million in FY 2021/22 to Kshs. 66,944 million in FY 2022/23, and Kshs. 50,369 million in FY 2023/24. The actual expenditure was Kshs. 66,988 million in FY 2021/22, Kshs. 48,262 million in FY 2022/23, and Kshs. 37,019 million in FY 2023/24, resulting in overall absorption rates of 86%, 72%, and 76% respectively. The analysis is as shown in the tables below;

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Analysis of Expenditure Recurrent (Amount Ksh. Millions)

Analysis of Expenditure Recurrent (Amount Ksh. Millions)						
Economic Classification	Approved Budget			Actual Expenditure		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
GROSS	6,291	6,348	5,686	6,288	6,025	3,375
AIA	2,386	2,543	3,390	2,386	2,322	2,162
Net-Exchequer	3,905	3,805	3,425	3,902	3,703	3,434
Compensation of Employees	701	639	540	699	643	530
Transfers	5,463	5,602	6,037	5,463	5,301	4,946
Other Recurrent	127	106.79	238	126	81	120

Analysis of Expenditure Development (Amount Ksh. Millions)

Analysis of Expenditure Development (Amount Ksh. Millions)						
Description	Approved Budget			Actual Expenditure		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
GROSS	71,577	60,596	44,683	60,700	42,237	33,685
GoK	22,831	14,485	13,837	22,831	13,300	23,687
Loans	45,899	43,639	28,060	35,907	27,797	2,353
Grants	2,847	2,472	2,786	1,962	1,140	7,645
Local AIA	0	0	0	0	0	0
TOTALALLOCATION	77,868	66,944	50,369	66,988	48,262	37,019

7.2 key projects or investments decision implemented or ongoing indicating source of funds, project status, project costs and amount spent this far.

To achieve Universal water and sanitation coverage by 2030, the State department is implementing programmes and projects in collaboration with Development Partners. Some of the key ongoing programs supported by Development Partners include;

Status of Key Ongoing and Pipeline Programmes and Projects

S/No.	Project Code & Project Title	Financing			Development Partner	Cumulative expenditure up to 30th June 2024		% Project completion as at 30th June 2024
		Estimated cost of Project in Kshs. Millions	GoK	Foreign		GoK	Foreign	
1	1109122900 Improving Public Health and Enhancing Technical Skills of Youth in Kenya through Sanitation Technology Transfer	246	-	246	African Development Bank/ Fund	-	68	75%
2	1109112700 Water and Sanitation Development Project (WSDP)	38,000	3,000	35,000	International Development Association (IDA)	273	27,032	64%
3	1109128501 Kenya Water Sanitation and Hygiene	59,830	300	59,530	International Development Association (IDA)	-	-	0%
4	1109115200 Thwake Multipurpose Water Development Programme Phase 1 BETA	51,285	6,730	44,555	African Development Bank/ Fund	5,824	32,056	93%
5	1109102100 Nairobi Rivers Restoration Basin Programme-Phase 2	8,600	600	8,000	African Development Bank/ Fund	317	2,831	65%
6	110912600 Horn of Africa -Ground Water for resilience Programme	13,500	-	13,500	International Development Association (IDA)	-	697	5%
7	1109119000 National Water Harvesting and Ground water Exploitation	11,000	11,000	-	GoK	4,607	-	43%
8	1109101300 Extension of Nairobi Water Supply (Northern Collector)	12,358	2,308	10,050	Government of France (AFD)	1,867	9,768	95%
9	1109101100 Nairobi Satellite Towns Water and Sanitation Program	3,636	293	3,343	Government of Germany (KFW)	273	3,143	85%
10	1109108100 Thika and Githunguri Water and Sanitation Project	7,052	100	6,952	Government of Denmark (DANIDA)	43	105	12%
11	1109109900 Ithanga Water supply Phase III	2,085	400	1,685	Government of Belgium	114	1,107	74%
12	1109100800 Water Sector Development (Lake Victoria	4,808	641	4,167	Government of Germany(KFW)	589	3,674	95%

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/No.	Project Code & Project Title	Financing			Development Partner	Cumulative expenditure up to 30th June 2024		% Project completion as at 30 June 2024
		Estimated cost of Project in Kshs. Millions	GoK	Foreign		GoK	Foreign	
	South) (Kericho, Kisii, Nyamira, Litein))			
13	1109102000 Lake Victoria Water and Sanitation Initiative -Phase II (Kericho, Keroka and Isebania)	1,505	489	1,016	AFD, EIB and EU & GOK	397	1,016	100%
14	1109103300 Support to Waste Water Management to Lake Victoria South	2,530	230	2,300	Government of Germany (KFW)	161	-	10%
15	1109103400 Kisumu Water Supply, LVWATSAN	8,850	1,150	7,700	Government of France (AFD)	378	2,091	15%
16	1109105300 Vihiga Cluster Project-Belgium funding (Last Mile)	2,510	510	2,000	Government of Belgium	390	2,000	100%
17	1109105400 Sirisia-Chwele (Koica) Phase 2	550	150	400	Government of Korea (KOICA)	79	109	98%
18	1109104400 Kiambere -Mwingi Water Supply and sanitation project Phase II	1,670	350	1,320	Government of Italy	164	-	4%
19	1109102700 Itare Dam Water Project	35,000	6,000	29,000	Government of Italy	732	11,284	27%
20	1109109000 Chemususu Dam Water Supply Project (Including Additional Works)	5,750	5,750	-	GoK	3,464	-	Baringo Comp-98.7 Progress for Nakuru works is 72.5%
21	1109100600 Rehabilitation of Water and Sanitation - Kirandich Phase II	3,080	380	2,700	Government of Italy	263	394	15%
22	1109111800 Lake Nakuru Biodiversity Improvement Water Project	7,500	979	6,521	Government of Germany (KFW)	58	471	1%
23	1109114100 Dongo Kundu Water Supply BETA	500	500	-	Gok	395	-	77%
24	1109115600 Improvement of drinking water and sanitation systems in mombasa - Mwache Dam Phase II	15,067	1,507	13,560	Government of France (AFD)	780	791	10%
25	1109101600 Water & Sanitation Services &	8,958	1,155	7,803	African Development	1,098	7,803	99%

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S/No.	Project Code & Project Title	Financing			Development Partner	Cumulative expenditure up to 30th June 2024		% Project completion as at 30th June 2024
		Estimated cost of Project in Kshs. Millions	GoK	Foreign		GoK	Foreign	
	Improvement Project				Bank/ Fund			
26	1109111300 Mwache Water Pipelines Extensions	2,000	2,000	-	Government of France (AFD)	796	-	70%
27	1109100900 Water Sector Development (Support WSTF)	1,984	473	1,511	Government of Germany (KfW)	326	1,079	92%
28	1109105000 Water Supply and Sanitation for the Urban Poor -KfW-Phase IV	1,771	506	1,265	Government of Germany (KfW)	63	361	52%
29	1109112300 Ending drought Emergencies Support to drought Risk Management	2,825	453	2,372	European Union (EU)	198	1,872	80%
30	1109114201 The Saudi Programme for Drilling of Wells and Rural Development in Africa	600	100	500	Government of Saudi Arabia	22	-	10%
31	1109122600 Sustainable Management and Access to Water and Sanitation in the ASALs (SWASAP)	1,420	190	1,230	Government of Denmark (DANIDA)	27	730	35%
32	1109122000 Nairobi Water and Sanitation Project, CKE 1135	13,004	600	12,404	Government of France (AFD)	53	2,009	16%
33	1109107800 Kenya Town Sustainable water Supply and Sanitation Programme	43,092	5,126	37,966	African Development Bank/ Fund	2,863	28,653	88%

7.3 Future developments and any other information considered relevant to the users of the financial statements.)

The State department has finalized preparation and secured funds for the following key programs/projects;

Key Pipeline Projects

	Project Name	Development Partner	Project Cost (million)	Remarks
1	National Urban Water Supply and Sanitation Program	ADB	USD 441	This is a 5 years' program 2024-2029 that will benefit 24 towns in 16 counties with water and sewerage projects. The programme will also create more than 15,000 people employed directly or indirectly during construction and after construction of the projects
2	Mwache Downstream Works	EIB	Euros 106	Financing Gap for construction of pipelines to improve the living standards and economic growth of the people in Mombasa
3	Naivasha Industrial Park LMC -Water reticulation systems and Naivasha Sewerage Project	GoK	Ksh. 266	The 2nd phase includes a reticulation system within the Industrial Park for off-takes from the main line and a Sewerage system to serve Naivasha town and the Industrial Park.
4	Oloolunga Dam and Water Supply	KOICA	Ksh. 493	The Concept has been prepared, proposed to be funded under Korea International Cooperation Agency (KOICA)
5	Water & Sanitation Programme (PIF)	Government of Finland	Ksh. 2,800	Improving water and sanitation access for development of effective policies, practices and actions to promote governance

8. Environmental and Sustainability Reporting

The State Department for Water and Sanitation exists to transform lives. This purpose is achieved through addressing key water scarcity and conservation challenges by ensuring equal access to safe drinking water, developing and implementing sanitation programmes to promote public health and hygiene standards across the country, Advancing innovative irrigation practices to boost agricultural output and food security and Actively collaborating with private-sector partners to facilitate investments in water infrastructure and sanitation, projects through Public Private Partnerships (PPPs). Below is a brief highlight of our achievements in each pillar:

a) Sustainability strategy and profile

The ministry has developed and submitted the National Water Policy to the Cabinet for approval. The ministry has also engaged a consultant to develop various regulations under: Water Services, Water Resources, Water Harvesting and Storage and the Water Tribunal to guide on implementation of the Water Act 2016.

The ministry has also drafted various strategies under: Water Services and Sanitation, National Water Resources Management, Water Harvesting and Storage.

To implement the planned programmes and projects, the ministry needs adequate resource allocation. The budget has been enhanced from Ksh. 60 Billion to Ksh.65 Billion. the ministry acts as an enabler to the “Big Four Agenda” through its various initiatives that include: Dongo Kundu water project in Mombasa, Economic Processing Zone in Athi river, and Industrial Park at Naivasha.

The ministry oversees many projects and as a result 160 projects have been completed under NEIP, 9,900 acres have been rehabilitated and under production, 7,100 water pans constructed and 32 small dams rehabilitated across 20 Counties.

The ministry has also supported the Building Bridges Initiatives by connecting 100 schools to clean water, building 100 pans with total water storage capacity of 2.1 trillion cubic metres, completing 118 boreholes in ASAL and 67 water projects are at different stages of completion.

The ministry of water has brought together different stakeholders by organizing the Kenya Sanitation Conference from 25th to 31st October 2019 which was attended by 1,800 stakeholders from all over the world to discuss various sanitation matters.

b) Environmental performance /climate change/ mitigation of natural disasters

Through the National Water Policy (Sessional Paper No. 1 of 2021), the State Department in compliance with national climate change legislation, undertook to put in place mechanisms to mainstream climate change considerations in all aspects of water sector planning and decision making, and further, integrate disaster risk reduction to protect water sector investments, public safety and ensure sustainable water resources management.

Specifically, the Ministry is charged with the following particular functions germane to climate change: -

- i) Mainstream climate change in the water sector to safeguard the sector from adverse effects of climate change by promoting adaptation and mitigation actions at national, basin and county levels.
- ii) Implement the requirements of the national climate change legislation and policy to mainstream climate change consideration in the water sector, including implementation of the National Climate Change Action Plan into the plans and activities across the water sector.
- iii) Help in establishing climate change units in all water sector institutions, as required by national climate change legislation, for coordination of climate change mainstreaming at institutional level and
- iv) Develop and implement a strategy for the water sector to leverage and access climate finance to support implementation of water sector actions for mainstreaming climate change.

The State Department plays a pivotal role in achieving the objectives outlined in the Water Policy, the National Climate Change Response Strategy and its associated National Climate Change Action Plan (NCCAP) III. In alignment with the Nationally Determined Contribution (NDC), the sector is committed to implementing both mitigation and adaptation measures. These include

State Department of Water and Sanitation
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initiatives such as catchment protection and restoration, regeneration of riparian reserves, adoption of energy-efficient green technologies, and climate-proofing infrastructure within the sector.

The State Department, other than establishing the Climate Change Unit, has specifically engaged in: -

- i) Tree Planting – with a target of 5,000,000 trees annually, the Ministry and the Water Sector Institutions have so far collectively planted **1,019,531** trees.
- ii) Commenced amendments to the Water Regulations to enhance the protection and use of riparian areas and wetlands across the country.
- iii) Enhancing the capacity of Water Sector Institutions through the proposed amendments of the Water Act, 2016 and amending the Regulations made thereunder to give the Institutions regulatory power, expanded capacity and reach.

c) Employee welfare

During the period under review, the following activities were achieved: -

- Wage bill a total Ksh. 540 Million was spent
- Training – 2 officers trained in short courses
- 50 Officers benefited in Group Training
- 2 Officers benefited for Long Courses (Donor Sponsored)
- Internship – 30 interns were deployed in different departments to enhance their skills
- Industrial attachments- 64 students were offered attachments in the State Department
- 144 Officers benefited on promotions under delegated Powers
- Re-designations – 5 officers
- Exits – 19 officers
- Forty (40) officers benefited from pre- retirement training this financial year.
- Performance appraisal: A total of 420 officers set targets, 365 were appraised at midterm and only 102 at end term. The department is fast tracking the harmonization of GHRIS with IPPD for enhanced effectiveness in performance management.
- Mental health and wellbeing: The Ministry had a counsellor to address the same. Efforts are underway to establish a unit to facilitate full operations of the mental health champions.
- Employee health and safety – The Ministry organized in house vaccination of employees.

d) Operational practices/ Market place practices

The Ministry allocated Ksh. 71,315,673 to Women, Youth and Persons Living with Disability out of a total procurement budget of Ksh 527,782,024 for the recurrent vote as per the Performance Contract. In the Financial Year ended 30th June, a total of Ksh 25,806,374 and Ksh 45,509,299 was allocated to youth and women respectively.

e) Community Engagements

Corporate Social Responsibility-

The State Department for Water and Sanitation undertook the following CSR programs in the following areas:

Tree planting in the following catchment basins: Marakwet, Kinale Forest, Lamu, Kimana, Namanga and Bomet. The State department in collaboration with CBOs and Public Primary and Secondary schools, mobilised restoration of forest areas in various counties including Kakamega, Kilifi, Nakuru, Vihiga, Bomet, Meru and Kericho Counties.

In addition, the State Department also established conducted CSR activities during the World Water Day celebrations in Marakwet. This included donation of water tanks, development of model farms, and donated food to two institutions.

9. Statement of Management Responsibilities

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Water and Sanitation is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements 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 entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Water and Sanitation accepts responsibility for the entity'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 (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2024, and of the entity's financial position as at that date. The Accounting Officer in charge of the State Department for Water and Sanitation further confirms the completeness of the accounting records maintained for the *entity*, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.


State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30,2024

The Accounting Officer in charge of the State Department for Water and Sanitation confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

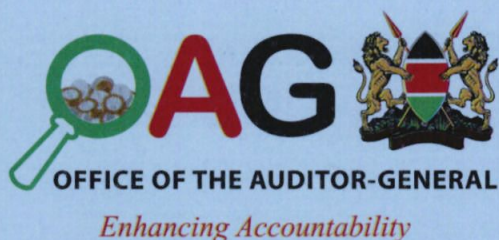
The State Department for Water and Sanitation's financial statements were approved and signed by the Accounting Officer on 27/9/2024 2024.


.....
Julius Korir, CBS
Principal Secretary


.....
Dr. CPA Jennifer Owino
Ag. Head Accounting Unit
ICPAK M/No.13143

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR WATER AND SANITATION FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of State Department for Water and Sanitation set out on pages 1 to 40, which comprise the statement of financial assets and liabilities as at 30 June, 2024 and the statement 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of State Department for Water and Sanitation as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Exchange Rates

The statement of receipts and payments reflects proceeds from foreign borrowings of Kshs.12,832,572,140 and as disclosed in Note 3 to the financial statements. Included in amount of Kshs.8,821,836 or EUR 51,364.40 equivalent paid to consultancy services company under Contract No. AWWDA/DSIF/TGWSP/CS/01/2021 for implementation construction and supervision of Thika Githunguri Water & Sanitation project at an exchange rate of 1 EUR/171.75. The payment was processed between 6 March, 2024 and 26 June, 2024. Notably, the Euro exchange rates between 6 March, 2024 and 26 June, 2024 revealed a low of EUR 154.9977 and a high of EUR 156.1078 respectively as per the CBK Bank rates, thus an average of EUR/155.5489 for buyers and sellers, instead of an average of EUR 155.5489 occasioning an overpayment of Kshs.832,160 because of the differences in exchange rates.

In the circumstances, the accuracy and completeness of the proceeds from foreign borrowings of Kshs.12,832,572,140 could not be confirmed.

2. Inaccurate Cash and Cash Equivalents Balance

The statement of financial assets and financial liabilities as disclosed in Note 11 to the financial statements reflects a cash and cash equivalent balance of Kshs.260,199,039. However, the balance excludes bank balances for Water and Sanitation Development project, Coastal Water Region Water and Climate Security Resilience project, Thwake

Multipurpose Water Development program and Kenya Water Security and Climate Resilience project.

In the circumstances, the accuracy, completeness and validity of cash and cash equivalent balance of Kshs.260,199,039 could not be confirmed.

3. Third-Party Deposits and Retention

The statement of financial assets and financial liabilities as disclosed in Note 13 to the financial statements reflects a balance of Kshs.258,320,676 relating to third-party deposits and retention as at 30 June, 2024. Analysis of deposit account bank statement for the year under review indicates payments amounting to Kshs.8,935,289 which were paid within the year but which had not been disclosed in the prior year as amounts payable to third parties. Further, the amount is excluded in the paid third-party deposits for the year amounting to Kshs.75,072,086.

In the circumstances, the accuracy and completeness of the third-party deposits and retention amount of Kshs.258,320,676 could not be confirmed.

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actuals amounts reflects a budgeted final receipt of Kshs.50,369,562,624 and actual receipt on comparable basis of Kshs.37,021,421,993 resulting to under funding of Kshs.13,348,140,631 or 27%, Similarly, the actual expenditure was Kshs.37,019,251,817 against a budgeted expenditure of Kshs.50,369,562,624 resulting to under absorption of Kshs.13,350,310,817 or 27%.

The under-funding and under-absorption affected the planned activities of the State Department and may have impacted negatively on service delivery to the public.

2. Long Outstanding Retention and Deposit

The statement of financial assets and financial liabilities and Note 13 to the financial statements reflects an amount of Kshs.258,320,676 relating to third-party deposits and retention as at 30 June, 2024. As per the ageing analysis an amount of Kshs.169,850,125 representing 65.8% of the total retention amounts has been outstanding for over two (2)

years. There was no explanation provided as to the reason why the amounts are long outstanding.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1. Unresolved Prior Years Matters

In the report of the Auditor-General for the year ended 30 June, 2023, various audit issues were raised under Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance sections. However, as indicated in the Progress on Follow Up on Prior Year Auditor's Recommendations section of the financial statements, all these issues had not been resolved as at 30 June, 2024. Management has not provided satisfactory reasons for the delay in resolving the prior year audit issues.

2. Issues Raised in the Previous Report of 2020/2021 not Resolved by Management as Directed by Parliament

Parliament had directed the State Department to resolve fifty-one (51) issues which were listed in the report of 2020/2021. Review of the implementation report provided by the State Department for the implementation of prior years' reports by external auditors revealed the following twenty-six (26) audit issues whose recommendations had not been implemented.

Issue Summary

- i. Pending Bills
- ii. Outstanding Compensation Claims and Legal Fees
- iii. Unsatisfactory Implementation of Project - Sagana River Restoration Project
- iv. Funding and Continuity of the Program
- v. Costly Price Adjustments
- vi. Failure to Drill Community Boreholes
- vii. Lump Sum Amount in Bill of Quantities for Access Roads
- viii. Delay in Project Implementation – Manooni Water Project
- ix. Budget Over Expenditure
- x. Cash Management
- xi. Excess Funds Drawn by the Project

- xii. Unsupported Expenditure
- xiii. Failure to Close the Project
- xiv. Stalled Project - Changamwe Re-pooling Sewer Network
- xv. Cash and Cash Equivalents
- xvi. Delay in Project Implementation
- xvii. Project Implementation Status
- xviii. Failure to Open Bank Account and Maintain a Separate Cash Book
- xix. Expansion of Water Supply Systems in Kericho
- xx. Irregular Contract Variation
- xxi. Failure to Open Bank Account and Maintain Cash Book
- xxii. Delay in Release of Counterpart Funding
- xxiii. Delay in Completion of Projects
- xxiv. Unremitted Disbursements
- xxv. Contingent Liability
- xxvi. Slow Progress of Works

This was contrary to Section 53 of the Public Audit Act, 2015 which requires the Accounting Officer of a state organ or public entity within three months after Parliament has considered and made recommendations on the audit report take the relevant steps to implement the recommendations of Parliament on the report of the Auditor-General; or give explanations in writing to the Parliament on why the report has not been acted upon.

Other Information

Management is responsible for the other information set out on page iii to XLV which comprise of Key Entity Information and Management, Statement of Governance, Statement by the Cabinet Secretary, Statement by the Principal Secretary, Statement of Performance Against Predetermined Objectives for the year, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department for Water and Sanitation financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effects of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Long Outstanding Imprests and Advances

The statement of financial assets and financial liabilities and Note 12 to the financial statements reflects an amount of Kshs.919,513 relating to imprests and advances. An aging analysis of this amount indicates that an amount of Kshs.627,700 representing 68.3% has been outstanding since the year 2022/2023.

In the circumstances, the Management was in breach of the law.

2. Non-Compliance with Law on Gender Balance

The statement of receipts and payments and Note 6 to the financial statements reflects an amount of Kshs.518,982,246 relating to compensation of employees. Review of the payroll and personnel data provided for audit review revealed that the State Department has a total of four hundred and nineteen (419) employees out of whom two hundred and eighty-eight (288) or 69% of the total members of staff were male contrary to Section B.22(2) of the Public Service Commission Human Resource Policies of May, 2016 which requires positions in the establishment not to be filled by more than two-thirds (2/3) of either gender.

In the circumstances, Management was in breach of the human resources policies.

3. Unauthorized Reallocations on Grants and Transfers to Other Government Units

The statement of receipts and payments and Note 8 reflects grants and transfers to other government units amount of Kshs.36,369,594,956. Included in this amount are various expense items totaling Kshs.1,310,816,389 which were irregularly charged/paid from this vote but did not relate and were not budgeted for under grants and transfers to other government units vote. Further, no authority from the Accounting Officer on the reallocation of funds and reasons for misclassification of the expenditure was provided. This is contrary to Regulation 99(1) and (2) of the Public Finance Management (National Government) Regulations, 2015 which provides that as a general rule, the classification of financial transactions in national government entity's accounts shall be based on the standard chart of accounts approved by The National Treasury and the approved estimates of expenditure shall form the basis of the accounts for the financial year.

In the circumstances, Management was in breach of the law.

4. Delayed Completion of Boreholes Projects

The statement of receipts and payments and Note 8 reflects grants and transfers to other government units amount of Kshs.36,369,594,956 which includes Kshs.49,703,413 for drilling of boreholes. The following anomalies were noted: -

- i. Included in the amount is Kshs.5,000,000 for drilling, equipping and civil works for Kipchobet Primary School borehole at a contract sum of Kshs.10,120,000 contracted on 16 May 2023 for six (6) months with expected completion in November, 2023. Physical inspection in November, 2024, revealed that the works were not complete and were way behind schedule. The contract agreement had expired and there was no addendum to bind the two parties to project completion.
- ii. The State Department contracted a local contractor for drilling, equipping and civil works in Olokyin borehole at a contract sum of Kshs.9,920,000 on 16 May, 2023. This was to take six (6) months with expected completion in November, 2023. However, physical inspection in November, 2024 revealed that the contractor was not on site. The contract agreement had expired and there was no addendum to bind the two parties to project completion and contract had not been renewed.
- iii. The State Department entered into a contract on 16 May, 2023 for drilling, equipping and civil works for borehole in Sasumua Primary at a contract sum of Kshs.10,119,356. The contract period was expected to be six (6) months with an expected completion date on 15 November, 2023. As at 30 June, 2024, Kshs.5,000,000 had been paid to the contractor whereas physical inspection in November 2024 revealed that the works were not complete and were way behind schedule. The contract agreement had expired and there was no addendum to bind the two parties to project completion and the contract had not been renewed.
- iv. The State Department entered into a contract on 16 May,2023 for drilling, equipping and civil works for borehole in Kwirindochei Primary at a contract sum of Kshs.9,980,000. The contract period was expected to be six (6) months with an expected completion date in November,2023. As at 30 June, 2024, the contractor had been paid an amount of Kshs.5,000,000 whereas physical inspection in November, 2024 revealed that the works were not complete and were way behind schedule. The contract agreement had expired and there was no addendum to bind the two parties to project completion and the contract had not been renewed.
- v. The State Department entered into a contract on 16 May,2023 for drilling, equipping and civil works for borehole in Kapsigot Primary at a contract sum of Kshs.10,020,370. The construction period was six (6) months with an expected completion date in November 2023. As at 30 June, 2024, the contractor had been paid an amount of Kshs.5,000,000 whereas physical inspection in November, 2024 revealed that the works were not complete and were way behind schedule. The contract agreement had expired and there was no addendum to bind the two parties to project completion and the contract had not been renewed.

In the circumstances, the delayed completion of the projects may increase contract costs and the value for money could not be confirmed.

5. Completed Boreholes with Low or No Productivity

The State Department of Water and Sanitation entered into three (3) contracts for drilling, equipping and civil works for boreholes on 16 May, 2023. The following anomalies were noted:

- i. The contract for drilling, equipping and civil works for a borehole in Limanet Primary in Narok North Constituency was awarded to a contractor at a contract sum of Kshs.9,881,276. As at 30 June, 2024, the contractor had been fully paid, completion and defects liability certificates all issued. However, as at the time of physical verification in November, 2024, the borehole had no water and it was reported that it only produced water for a short while after completion.
- ii. The contract for drilling, equipping and civil works for a borehole in Masindoni Secondary School in Chepalungu Constituency was awarded to a contractor at a contract sum of Kshs.10,637,882. As at 30 June, 2024, the contractor had been fully paid and completion and defects liability certificates all issued. However, as at the time of physical verification in November, 2024, the borehole had no water and it was reported that it only produces a small quantity of water during morning hours.
- iii. The contract for drilling, equipping and civil works for a borehole in Chebastuiye Secondary School in Chepalungu Constituency was awarded at a contract sum of Kshs.11,728,934. As at 30 June, 2024, the contractor had been fully paid and completion and defects liability certificates all issued. However, as at the time of physical verification in November, 2024, the borehole had no water and it was reported that that it only generated water for two months after completion.

In the circumstances, the intended purpose and value for money on the expenditure of Kshs.32,248,092 on drilling of boreholes could not be confirmed.

6. Boreholes that Yielded no Productivity

6.1. Drilling, Equipping and Civil Works for KMTC Trans Mara Borehole in Emurua Dikirr Constituency

The State Department of Water and Sanitation entered into a contract on 16 May, 2023 for drilling, equipping and civil works for a borehole in KMTC Trans-mara at a contract sum of Kshs.9,880,000 for the contract period of six (6) months. As at 30 June, 2024, the contractor had been paid an amount of Kshs.5,000,000. However, as at the time of physical audit verification in November,2024, it was noted that the borehole had not yielded any water and an alternate site was being sought for drilling.

In-addition, the project duration had lapsed and no contract extension has been granted. Further, the performance bond had expired and had not been renewed.

In the circumstances, value for the money for Kshs.5,000,000 could not be confirmed. It could not be ascertained whether a hydrogeological survey had been done and what measures Management was putting in place to ensure the same does not occur.

6.2. Drilling, Equipping and Civil Works for Emurua Dikirr Secondary School Borehole in Emurua Dikirr Constituency

The State Department of Water and Sanitation entered into a contract on 16 May, 2023 for drilling, equipping and civil works for a borehole in Emurua Dikirr Secondary School at a contract sum of Kshs.9,820,000 with contract period of six (6) months. As at 30 June, 2024, the contractor had been paid an amount of Kshs.5,000,000. However, as at the time of physical verification in November, 2024, it was noted that the borehole had not yielded any water and an alternate site was being sought for drilling. In-addition, the project duration had lapsed and no contract extension has been granted and the performance bond had expired and had not been renewed.

In the circumstances, value for the money of Kshs.5,000,000 could not be confirmed. It could not be ascertained whether a hydrogeological survey had been done and what measures the Management was putting in place to ensure the same does not occur.

6.3 Drilling, Equipping and Civil Works at Kiptagei Borehole- Chepalungu Constituency

The State Department of Water and Sanitation contracted a contractor on 16 May, 2023, for drilling, equipping and civil works for boreholes at Kiptagei primary school in Chapalungu Consistency at a contract sum of Kshs.12,753,913 with a completion period of six (6) months. As at 30 June, 2024, the contractor had been paid an amount of Kshs.5,000,000, However, physical verification in November, 2024, revealed that the borehole had not yielded any water and an alternate site was being sought for drilling. In-addition, the project duration had lapsed and no contract extension has been granted. The performance bond had also expired and had not been renewed.

In the circumstances, value for the money for Kshs.5,000,000 could not be confirmed. It could not be ascertained whether a hydrogeological survey had been done and what measures the Management was putting in place to ensure the same does not occur.

7. Lack of Preparedness for Transition to Accrual Basis of Accounting

The State Department for Water and Sanitation had not prepared the Financial Statement for the first quarter of financial year 2024/2025 hence it could not be confirmed whether transitioning from Cash to Accrual Basis was being adopted. This is contrary to Paragraph 4.2 part (a) of the Circular on Guidelines on year end closing procedures for financial year 2023/2024 dated 15 May, 2024 states that, The National and County Governments and their respective entities shall apply IPSAS Accrual based standards with effect from 1 July, 2024. Further, the last financial statements to be prepared under IPSAS Cash Basis of accounting will be for the period ended 30 June, 2024 as per part (b)

In the circumstances, Management was in breach of the Circular.

8. Lack of a Ministerial Performance Management Committee

State Department of Water and Sanitation did not have a Ministerial Performance Management Committee during the year under review which is contrary to Public Service Commission Human Resource Policies of May, 2016 Section A.13 (1) which provides that each Ministry/State Department shall constitute a Ministerial Human Resource Management Advisory Committee and a Ministerial Performance Management Committee to ensure effective human resource management.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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

1. Lack of Stakeholders Communication Policy

There was no Stakeholders Communication Policy in place which was in contravention of Regulation 19 (1)(e) of the Public Finance Management (National Government) Regulation, 2015 which requires establishing and implementing of system that provides necessary information to the stakeholders including stakeholder communication policy for the entity in line with Article 35 of the Constitution.

In the circumstances, it could not be confirmed if there was effective communication with stakeholders.

2. Lack of Risk Management policy

As at 30 June, 2024, State Department of Water and Sanitation had not developed a risk management policy or documented strategies for identifying risks that may have potential effects on the operations of the State Department. Thus, the State Department may have

challenges in identifying and mitigating instances of fraud and lapses in internal processes during operations

In the absence of a risk management policy, Management is not in a position to identify individual risks, the likelihood of identified risks, and the appropriate controls.

3. Lack of Approved Strategic Plan

The State Department of Water and Sanitation did not have an approved strategic plan and it was not clear the basis on which the budget was prepared. Planning for the operations of the State Department and implementation of programmes may have been affected while preparation of budget estimates may not have been in line with the Departmental priorities.

In the circumstances, the Management was in breach of the law.

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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the State Department financial reporting process, reviewing the effectiveness of how Management monitors

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2024

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30,2024

**11. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED
30TH JUNE 2024**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Receipts			
Exchequer Releases	1	23,852,019,137	26,228,365,871
Proceeds From Domestic and Foreign Grants	2	335,942,716	86,561,032
Proceeds From Foreign Borrowings	3	12,832,572,140	23,620,622,153
Proceeds From Sale of Assets	4	-	9,365,065
Miscellaneous Receipts	5	888,000	1,196,839,738
Total Receipts		37,021,421,993	51,141,753,859
Payments			
Compensation of Employees	6	518,982,246	643,093,350
Use of Goods and Services	7	74,332,514	78,828,802
Grants and Transfers to Other Government Entities	8A	36,369,594,956	49,398,190,210
Social Security Benefits	9	-	8,106,382
Acquisition of Assets	10	56,342,101	988,270,370
Total Payments		37,019,251,817	51,116,489,113
Surplus		2,170,175	25,264,746

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 27/9/2024 and signed by:



Julius Korir, CBS
Principal Secretary



Dr. CPA Jennifer Owino
Ag. Head Accounting Unit
ICPAK M/No.13143


**12. STATEMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES AS
 AT 30TH JUNE 2024**

Description	Note	2023/2024	2022/2023
		Kshs	Kshs
Financial assets			
Cash and cash equivalents			
Bank balances	11A	259,481,160	356,018,783
Cash balances	11B	717,879	824,863
Total cash and cash equivalents		260,199,039	356,843,646
Imprests and advances	12	919,512	2,055,334
Total financial assets		261,118,551	358,898,980
Financial liabilities			
Third party deposits and retention	13	(258,320,676)	(333,392,762)
NET FINANCIAL ASSETS		2,797,875	25,506,218
Represented by			
Fund balance b/fwd.	14	25,506,218	1,609,859
Prior year adjustment	15	(24,878,518)	(1,368,387)
Surplus/ (Deficit) for the year		2,170,175	25,264,746
NET FINANCIAL POSITION		2,797,875	25,506,218

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 27/9/2024 and signed by:



 Julius Korir, CBS
 Principal Secretary



 Dr. CPA Jennifer Owino
 Ag. Head Accounting Unit
 ICPAK M/No.13143

13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE2024

Description	Notes	2023/2024	2022/2023
		Kshs	Kshs
Operating Activities			
Receipts			
Exchequer releases	1	23,852,019,137	26,228,365,871
Proceeds from domestic and foreign grants	2	335,942,716	86,561,032
Miscellaneous receipts	5	888,000	1,196,839,738
Total Receipts		24,188,849,853	27,511,766,642
Payments			
Compensation of employees	6	518,982,246	643,093,350
Use of goods and services	7	74,332,514	78,828,802
Transfers to other government units	8A	36,369,594,956	49,398,190,210
Social security benefits	9	-	8,106,382
Total Payment		36,962,909,716	50,128,218,744
Net receipts/(payments)		(12,774,059,863)	(22,616,452,102)
Adjusted For:			
Adjustments during the year:			
Prior year adjustments	15	(24,878,518)	(1,368,387)
Decrease/(Increase) in accounts receivable	16	1,135,822	(2,055,334)
Increase/(Decrease) in deposits and retention	17	(75,072,087)	86,635,130
Net Cash Flow from Operating Activities		(12,872,874,646)	(22,533,240,693)
Cash flow From Investing Activities			
Proceeds from sale of assets	4	-	9,365,065
Acquisition of assets	10	56,342,101	(988,270,370)
Net Cash Flows from Investing Activities		(56,342,101)	(978,905,305)
Cash flow From Financing Activities			
Proceeds from foreign borrowings	3	12,832,572,140	23,620,622,153
Net cash flow from financing activities		12,832,572,140	23,620,622,153
Net increase in cash and cash equivalents		(96,644,607)	108,476,155
Cash & Cash Equivalent at Start of The Year	18	356,843,646	248,367,491

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30,2024

Description	Notes	2023/2024	2022/2023
		Kshs	Kshs
Cash & Cash Equivalent at Year ended 30 June 2024	18	260,199,039	356,843,646

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 27/9/2024 and signed by:



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 Julius Korir, CBS
 Principal Secretary



.....
 Dr. CPA Jennifer Owino
 Ag. Head Accounting Unit
 ICPAK M/NO.13143

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30, 2024

14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR YEAR ENDED 30 JUNE 2024

Receipt/Expense 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						
Proceeds from Domestic and Foreign Grants	1,270,000,000	(774,000,000)	496,000,000	335,942,716	160,057,284	68
Exchequer releases	31,456,000,000	2,224,300,386	33,680,300,386	23,852,019,137	9,828,281,250	71
Proceeds from Foreign Borrowings	26,500,000,000	(12,567,237,762)	13,932,762,238	12,832,572,140	1,100,190,098	92
Other Receipts	2,260,500,000	-	2,260,500,000	888,000	2,259,612,000	0
Total	61,486,500,000	(11,116,937,376)	50,369,562,624	37,021,421,993	13,348,140,631	73
PAYMENTS						
Compensation of Employees	533,000,000	7,000,000	540,000,000	518,982,247	21,017,754	96
Use of goods and Services	133,595,214	(33,344,023)	100,251,191	74,332,514	25,918,677	74
Transfers to Other Government Units	60,609,000,000	(10,958,837,762)	49,650,162,238	36,369,594,956	13,280,567,282	73
Acquisition of Assets	210,904,786	(131,755,591)	79,149,195	56,342,101	22,807,094	71
Total	61,486,500,000	(11,116,937,376)	50,369,562,624.00	37,019,251,817	13,350,310,807	73
SURPLUS/DEFICIT				2,170,175	(2,170,175)	

(a) *Variance analysis: [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)*

**State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30, 2024**

NOTES:

- (i) *The underutilization on proceeds from domestic and foreign grants of 32% was due to Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.*
 - (ii) *The underutilization on exchequer of 29% is as a result of under collection revenues by the government.*
 - (iii) *The underutilization on collection of miscellaneous Receipts of 100% is due to under collection by SAGAS the process which shifted to the them as a result of Development revenue collection transferred to the Counties Governments.*
 - (iv) *Underutilization in Use of goods and services 26% was as a result of late start on procurement processes that delayed the tendering procedures.*
 - (v) *Underutilization on transfers to other Government entities of 27% was due to lack of exchequer funding.*
 - (vi) *The underutilization on Acquisition of assets of 29% is due to lack of exchequer funding.*
- b) EQUALIZATION FUND:** *There was opening balance in the equalization cashbook of kshs 86,558,282.90. During the year the State Department received kshs 137,651,735.80 from equalization fund out of which kshs 220,836,939 was disbursed to agencies leaving a Balance of kshs 3,373,079.70*

The entity financial statements were approved on 27/9/ 2024 and signed by:



Julius Korir, CBS
Principal Secretary



Dr. CPA Jennifer Owino
Ag. Head Accounting Unit
ICPAK M/No.13143

14(a) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: RECURRENT FOR YEAR ENDED 30 JUNE 2024

Receipt/Expense 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	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Exchequer releases	3,282,000,000	144,300,386	3,426,300,386	3,375,980,154	50,320,232	99%
Miscellaneous receipts	2,260,500,000	-	2,260,500,000	888,000	2,259,612,000	0
Total Receipts	5,542,500,000	144,300,386	5,686,800,386	3,376,868,154	2,309,932,232	59%
					0	
Payments					0	
Compensation of employees	533,000,000	7,000,000	540,000,000	518,982,246	21,017,753	96%
Use of goods and services	133,595,214	(33,344,023)	100,251,191	74,332,514	25,918,677	74%
Transfers to other Government entities	4,865,000,000	172,400,000	5,037,400,000	2,781,814,477	2,255,585,523	55%
Acquisition of assets	10,904,786	(1,755,591)	9,149,195	-	(9,149,195)	0%
Total Payments	5,542,500,000	144,300,386	5,686,800,386	3,375,129,237	2,311,660,149	59%
SURPLUS/(DEFICIT)				1,738,917	(1,738,917)	

Notes

**State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30, 2024**

- (i) The underutilization on collection of miscellaneous Receipts of 100% is due to under collection by SAGAS the process which shifted to the them as a result of Development revenue collection transferred to the County Governments.*
- (ii) Underutilization in Use of goods and services 26% was as a result of late start on procurement processes that delayed the tendering procedures.*
- (iii) Underutilization on transfers to other Government entities of 45% was due to lack of exchequer funding*
- (iv) The underutilization on Acquisition of assets of 100% is due to lack of exchequer funding.*

The entity financial statements were approved on 27/9/ 2024 and signed by:

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Julius Korir, CBS
Principal Secretary

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Dr. CPA Jennifer Owino
Ag. Head Accounting Unit
ICPAK M/No.13143

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30,2024

14 (b) STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS: DEVELOPMENT F FOR YEAR
 ENDED 30 JUNE 2024

Receipt/Expense 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 %
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
RECEIPTS						
Proceeds from Domestic and Foreign Grants	1,270,000,000	(774,000,000)	496,000,000	335,942,716	160,057,284	68%
Exchequer releases	28174000000	2,080,000,000	30,254,000,000	20,476,038,983	9,777,961,017	68%
Proceeds from Foreign Borrowings	26,500,000,000	(12,567,237,762)	13,932,762,238	12,832,572,140	1,100,190,098	92%
Total	55,944,000,000	(11,261,237,762)	44,682,762,238	33,644,553,839	11,038,208,399	75%
PAYMENTS						
Transfers to Other Government Units	55,744,000,000	(11,131,237,762)	44,612,762,238	33,587,780,479	11,024,981,759	75%
Acquisition of Assets	200,000,000	(130,000,000)	70,000,000	56,342,101	13,657,899	80%
Total	55,944,000,000	-11,261,237,762	44,682,762,238	33,644,122,580	11,038,639,658	75%
SURPLUS/DEFICIT	-	-	-	431,259	(431,259)	

**State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30, 2024**

(a) *Variance analysis: [Provide below a commentary on significant underutilization (below 90% of utilization) and any overutilization (above 100%)]*

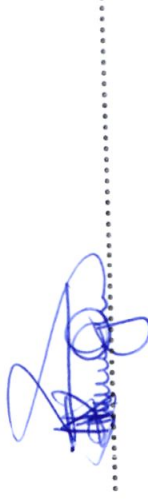
NOTES

- (i) *The underutilization on proceeds from domestic and foreign grants of 32% was due to Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.*
- (ii) *Underutilization on transfers to other Government entities of 25% was due to lack of exchequer funding.*
- (iii) *The underutilization on Acquisition of assets of 20% is due to lack of exchequer funding.*

The entity financial statements were approved on 27/9/ 2024 and signed by

.....


Julius Korir, CBS
Principal Secretary

.....


...

Dr. CPA Jennifer Owino
Ag. Head Accounting Unit
ICPAK M/No.13143

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30, 2024

14. (c) BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES FOR YEAR ENDED 30 JUNE 2024

Programme/ Sub-programme	Original Budget	Adjustments	Final Budget	Actual comparable basis	on	Budget utilization difference
	2024			2024		
Program	Sub Program	Description		Kshs		Kshs
1001000		General Administration, Planning and Support Services	1,563,698,196	1,316,949,686		246,748,510
	1001000	General Administration, Planning and Support Services	1,563,698,196	1,316,949,686		246,748,510
1004000		Water Resources Management	8,571,020,965	6,078,020,468		2,493,000,497
	1004010	Water Resources conservation and Protection	8,481,020,965	5,988,842,634		2,492,178,331
	1004040	Transboundary waters	90,000,000	89,177,834		822,166
1017000		Water and sewerage Infrastructure Development	40,234,843,463	29,631,123,227		10,603,720,236
1017000	1017010	National Water and sanitation Investment	32,763,843,463	23,234,187,810		9,529,655,653
	1017020	Sanitation Infrastructure Development and Management	7,471,000,000	6,396,935,417		1,074,064,583
		Grand-Total	50,369,562,624	36,123,954,899		14,245,607,725

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. It should tie with the combined Statement of Budgeted Vs Actual Amounts. Ensure that this document is completed to enable consolidation by the National Treasury)

The entity financial statements were approved on _____ 2024 and signed by

State Department of Water and Sanitation
Annual Report and Financial Statements for the year ended June 30, 2024



.....
Julius Korir, CBS
Principal Secretary



.....
Dr. CPA Jennifer Owino
Ag. Head Accounting Unit
ICPAK M/No.13143

15. Significant Accounting Policies

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

The financial statements are for the *State Department for Water and Sanitation* statements encompass the reporting entity as specified under Section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- I. Water and Sanitation Development Project*
- II. Horn of Africa*
- III. Thwake Dam*

3. Reporting Currency

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

Significant Accounting Policies (Continued)

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by State Department for Water and Sanitation for all the years presented.

a) Recognition of Receipts

The *Entity* recognises all receipts from the various sources when the event occurs, and the related cash has been received.

(i) Transfers from the Exchequer

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

(ii) External Assistance

External assistance is received through grants and loans from multilateral and bilateral development partners. Grants and loans 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/loan 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. A similar recognition criterion is applied for loans received in the form of a direct payment. During the year ended 30th June 2024, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

(iii) miscellaneous receipts

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

Significant Accounting Policies (Continued)

b. Recognition of payments

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

i) Compensation of Employees

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

ii) Use of Goods and Services

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, 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 are paid for. *(Customise to your organisation)*

iv) Principal on borrowing

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. *(Customize as per organization)*.

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 and a summary provided for purposes of consolidation. *This summary is disclosed as an annexure xx to the financial statements.*

Significant Accounting Policies (Continued)

vi) In-kind contributions

In-kind contributions are donations that are made to the Entity 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 *Entity* 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.

vii) Third Party Payments

Included in the receipts and payments, are payments made on the entity's behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings or grants.

b) 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. A bank account register is maintained, and a summary provided for purposes of consolidation.

This summary is disclosed as an annexure xx to the financial statements.

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 party deposits and retentions. As of 30th June 2024, this amounted to Kshs xxx compared to Kshs xxx in prior period as indicated on note xxx. There were no other restrictions on cash during the year.

Significant Accounting Policies (Continued)

c) 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 are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or Authority to Incur Expenditure (AIE) holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

d) Third party deposits and retention

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted for National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

e) Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items. 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.

Significant Accounting Policies (Continued)

f) Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits and retentions, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament in *June 2024 for the period 1st July 2024 to 30th June 2024* as required by Law and there were xx number of supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements. Government 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.

g) Comparative Figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

h) Subsequent Events

There have been no events after the financial year end with a significant impact on the financial statements for the year ended *30th June 2024*.

i) Prior Period Adjustment

During the year, errors that have been corrected are disclosed *under note 26* explaining the nature and amounts.

j) Related Party Transactions

Related party means parties are related if one party has the ability to:

Significant Accounting Policies (Continued)

- a) Control the other party or
- b) Exercise significant influence over the other party in making financial and operational decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties regardless of whether a price is charged.

k) 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. **Note xx** and *Annex 7* of this financial statement is a register of the contingent liabilities in the year.

16. Notes to the Financial Statements

1 Exchequer releases

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfers From Exchequer	23,852,019,137	26,228,365,871
Total	23,852,019,137	26,228,365,871

We received exchequer less Kshs. 9,828,281,250 translating to 29%. Of this 28% is attributed to Recurrent vote

2 Proceeds from Domestic and Foreign Grants

Name of Donor	Date received	Indicate whether it was a direct payment	Amount in foreign currency	2023/2024	2022/2023
				Kshs	Kshs
Grants received from Bilateral Donors (Foreign Governments)					
2023/2024 AfDB/IDA					65,561,032
(2023/2024 name of donor)					
Grants received from Multilateral Donors (International Organizations)					
2023/2024 - AfDB		Direct Payment		335,942,716	21,000,000
2023/2024 - IDA		Direct Payment			
Total				335,942,716	86,561,032

This was Kenya Towns Sustainable Water Supply and Sanitation Program that had Projects spread across the country.

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Notes to the Financial Statements (Continued)

3 Proceeds from Foreign Borrowings

Description	2023/2024	2022/2023
	Kshs	Kshs
Foreign Borrowing - Direct payments AfDB/IDA	12,832,572,140	23,620,622,153
Foreign Currency and Foreign Deposits		
Other foreign accounts payable		
Total	12,832,572,140	23,620,622,153

This borrowing is from multilateral donors for various developmental projects at the state department for water

4 Proceeds from Sale of Assets

Description	2023/2024	2022/2023
	Kshs	Kshs
Receipts from Sale of Certified Seeds and Breeding Stock	-	9,365,065
Total	-	9,365,065

Notes to the Financial Statements (Continued)

5 Miscellaneous Receipts

Description	2023/2024	2022/2023
	Kshs	Kshs
incidental Sales by Non-Market Establishments Collected as AIA 1420500	888,000.	1,196,839,738
Total	888,000	1,196,839,738

6 Compensation to Employees

Description	2023/2024	2022/2023
	Kshs	Kshs
Basic salaries of permanent employees	310,584,102	412,566,768
Personal allowances paid as part of salary	208,398,144	230,526,582
Total	518,982,246	643,093,350

State Department of Water and Sanitation
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Notes to the Financial Statements (Continued)

7 Use of Goods and Services

Description	2023/2024	2022/2023
	Kshs	Kshs
Utilities, supplies and services	4,137,972	5,167,617
Communication, supplies and services	683,089	1,407,271
Domestic travel and subsistence	11,172,990	23,322,868
Foreign travel and subsistence	2,406,135	2,645,636
Printing, advertising and information supplies & services	668,800.00	733,740
Training expenses	1,339,580	1,476,329
Hospitality supplies and services	2,942,203	3,743,646
Specialized materials and services	1,148,288	1,804,859
Office and general supplies and services	-	1,638,475
Fuel Oil and Lubricants	1,400,000	5,839,000
Other operating expenses	47,172,027	23,079,826
Routine maintenance – vehicles and other transport equipment	819,530	6,257,025
Routine maintenance – other assets	441,900	1,712,510
Total	74,332,514	78,828,802

8A. Grants and Transfers to other Government Entities

Description	2023/2024	2022/2023
	Kshs	Kshs
Transfers to National Government entities		
Current grants to government agencies and other level of govt	2,781,814,477	4,245,826,218
Capital grants to government agencies and other level of govt	33,538,077,066	45,032,364,270
Other Capital transfers grants and subsidies	49,703,413	119,999,722
Total	36,369,594,956	49,398,190,210

Notes to the Financial Statements (Continued)

8B: Transfers to self – reporting entities in the year

The above transfers were made to the following self-reporting entities in the year:

	Description	Recurrent	Development	Total for the year	2022/2023
		Kshs	Kshs	Kshs	Kshs
N	Transfers SAGAs and SCs				
O					
1	Lake Victoria North Water Works Dev. Agency	149,000,000	650,000,000	799,000,000	507,250,00
2	Lake Victoria South Water Works Dev. Agency	141,999,996	735,605,147	877,605,143	2,145,290,10
3	Kenya Water Institute	183,000,000	800,000,000	983,000,000	473,813,30
4	Water Resources Authority	558,000,000	368,885,831	926,885,831	680,749,90
5	Tanathi Water Works Development Agency	131,000,000	273,750,000	404,750,000	308,500,00
6	North Rift Valley Water Works Development Agency	123,000,000	671,095,000	794,095,000	195,250,00
7	National Water Harvesting and Storage	-	-	-	831,875,00
8	Coast Water Works Development Agency	368,000,000	1,656,481,695	2,024,481,695	691,477,00
9	Northern Water Works Development Agency	92,000,000	551,250,000	643,250,000	740,746,50
10	Athi Water Works Development Agency	339,999,996	2,899,325,798	3,239,325,794	2,534,443,30
11	National Irrigation Authority	-	-	-	4,073,237,50
12	Regional Centre on Ground Water Resource Education	83,400,000	12,500,000	95,900,000	106,700,00
13	Tana Water Works Development Agency	213,000,000	1,877,283,557	2,090,283,557	969,735,80
14	Central Rift Valley Water Works Development	161,000,000	746,500,000	907,500,000	670,875,00
15	Water Sector Trust Fund	195,543,950	1,532,687,723	1,728,231,673	1,169,977,40
16	Hydrologists Registration Board	24,999,996	-	24,999,996	24,583,30
17	Kenya Water Security and Climate Resilience	-	-	-	570,125,00

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	Description	Recurrent	Development	Total for the year	2022/2023
		Kshs	Kshs	Kshs	Kshs
18	Water And Sanitation Development Project	-	8,927,812,110	8,927,812,110	500,000,0
19	Kenya Water Security and Climate Resilience	-	-	-	570,125,0
20	Thwake Multipurpose Water Development Project		2,428,088,005	2,428,088,005	218,024,20
21	Upper Tana Natural Resources management Project	-	-	-	509,482,6
22	Coastal Region water Security and Climate Resilience Project	-	-	-	969,422,7
23	Horn of Africa	-	704,990,150	704,990,150	
	TOTAL	2,763,943,938	24,836,255,016	27,600,198,954	19,461,685,0

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statement. Include this list as an annex if it goes beyond one page

9. Social Security Benefits

	2023/2024	2022/2023
	Kshs	Kshs
Government pension and retirement benefits	-	8,106,382
Total	-	8,106,382

Notes to the Financial Statements (Continued)

10. Acquisition of Assets

Non -Financial Assets	2023/2024	2022/2023
	Kshs	Kshs
Construction and Civil Works	56,000	789,443,694
Overhaul of Vehicles and other Transport Equipment	0	188,878
Purchase of Specialized Plant, Equipment and Machinery	0	580,571
Research, Studies, Project Preparation, Design & Supervision	56,286,101	198,057,227
Total	56,342,101	988,270,370

11A. Cash and Bank Accounts

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank Accounts (Note 11 A)	259,481,160	356,018,783
Cash on hand (Note 11 B)	717,879	824,863
Total	260,199,039	356,843,646

State Department of Water and Sanitation
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Notes to the Financial Statements (Continued)

11B: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit etc.	Exc rate (if in foreign currency)	2023/2024 Kshs	2022/2023 Kshs
Central Bank of Kenya, 100456997, Kshs		Recurrent		729,226	21,785,74
Central Bank of Kenya, 1000457007, Kshs		Development		431,258	840,270
Central Bank of Kenya, 1000457015, Kshs		Deposit		258,320,676	333,392,760
Total				259,481,160	356,018,780

11C: Cash on hand

Description	2023/2024 Kshs	2022/2023 Kshs
Cash in hand – Held in domestic currency	717,879	824,863
Cash in hand – Held in foreign currency		
Total	717,879	824,863

12D: Detailed Cash is as follows:

Description	2023/2024 Kshs	2022/2023 Kshs
Location 1 Recurrent	717,879	824,863
Location 2		
Location 3		
Other Locations (<i>specify</i>)		
Total	717,879	824,863

Notes to the Financial Statements (Continued)

12: Imprests and Advances

<i>Description</i>	<i>2023/2024</i>	<i>2022/2023</i>
	Kshs	Kshs
Government Imprests	919,512	2,055,334
Salary advances	-	-
District suspense	-	-
Clearance accounts	-	-
Total	919,512	2,055,334

Imprests and advances Aging analysis.

	2023/2024	% of the total	2022/2023	% of the total
Under one year	291,812	37%	2,055,334	100 %
1-2 years	627,700	63%	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	919,512	100 %	2,055,334	100 %

This is analysed as below

<i>Name of Officer</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		Kshs	Kshs	Kshs
KENNEDY MUSUMBA	30/05/2023	78,000	0	78,000
JOSEPH N. KARIUKI	7/6/2023	148,600	0	148,600
BEATRICE MURITHI	10/5/2023	15,000	0	15,000
CHARLES NDIRANGU	25/05/2023	58,800	0	58,800
SAMUEL K. KOIMA	06/05/2023	38,800	0	38,800
BONIFACE WAMBUA	10/5/2023	93,000	0	93,000
EMMY ANANGWE	07/06/2023	52,500	0	52,500
LEONARD MOCHOGE	25/05/2023	143,000	0	143,000
JOSEPH MUGAMBI KIMANI	30/06/2024	291,812	0	291,812
TOTAL		919,512	0	919,512

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Notes to the Financial Statements (Continued)

13. Third party deposits and retention

Description	2023/2024		2022/2023	
	Kshs		Kshs	
Retention	258,320,676		333,392,762	
Deposits	-		-	
Total	258,320,676		333,392,762	
Ageing analysis:	Current FY	% of the Total	Prior FY2022/2023	% of the Total
Under one year	25,303,137	9.8	63,167,414	18.95
1-2 years	63,167,414	24.5	140,594,469	42.17
2-3 years	140,594,469	54.4	29,255,656	8.78
Over 3 years	29,255,656	11.3	100,375,222	30.11
Total	258,320,676	100	333,392,762	100

(Provide short appropriate explanations as necessary)

14. Fund Balance Brought Forward

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank Accounts	356,018,783	248,126,019
Cash in hand	824,863	241,472
Third party deposits and retention	(333,392,762)	(246,757,632)
Total	23,450,884	1,609,859

Notes to the Financial Statements (Continued)

15: Prior Year Adjustments

	Balance b/f from previous year as per audited financial statements	Adjustments during the year relating to prior periods	Adjusted ** Balance b/f Current Year
Description of the error	Kshs	Kshs	Kshs
Bank Account Balances	356,018,783	(22,626,021)	333,392,762
Cash In Hand	824,863	(824,863)	0.00
Imprests and advances	2,055,334	(1,427,634)	627,700
Third party deposits and retention	(333,392,762)	-	(333,392,762)
TOTAL	25,506,218	(24,878,518)	627,700

The prior year adjusted were in respect of cash taken over by the National Treasury, Imprest surrendered and cash carried forward in the cash book.

16: (Increase)/ Decrease in Advances and Imprests

Description	2023/2024	2022/2023
	Kshs	Kshs
Receivables As At 1 st July (A)	2,055,334	--
Receivables As At 30 th June (B)	919,512	2,055,334
(Increase)/ Decrease in Receivables (C=(B-A))	1,135,822	2,055,334

Receivable as at 1st July for Current FY should be the same as receivable as at 30th June for previous FY

17: Increase/ (Decrease) in Retention and Third-Party Deposits

Description	2023/2024	2022/2023
	Kshs	Kshs
Payables As At 1 st July	333,392,762	246,757,632
Payables As At 30 th June	258,320,676	333,392,762
Increase/ (Decrease) In Payables	(75,072,086)	86,635,130

State Department of Water and Sanitation
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Notes to the Financial Statements (Continued)

18. Cash and Cash Equivalent as at the beginning and end of the financial year 2023-2024:

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank Accounts (Note 19 A)	259,481,160	356,018,783
Cash on hand (Note 19 B)	717,879	824,863
Total	260,199,039	356,843,646

19. Related party transactions:

Description	2023/2024	2022/2023
	Kshs	Kshs
Key Management Compensation		
Transfers to Related Parties		
Transfers to other MDAs		
Transfers to SCs and SAGAs	19,274,962,753	49,398,851,263
Total Transfers to Related Parties	19,274,962,753	49,398,851,263
Purchase of Goods and Services		
Transfers from Related Parties		
Transfers from the Exchequer	23,852,019,137	26,228,365,871
Transfers from other MDAs		
(2023/2024 any other Transfers Received from Govt.)		
Total Transfers from Related Parties	23,852,019,137	26,228,365,871

Notes to the Financial Statements (Continued)

19.1 Pending Accounts Payable

	Balance b/f Previous 2023/24	Additions for the period	Paid during the year	Balance c/f Current FY
Description	Kshs	Kshs	Kshs	Kshs
Construction of Buildings				
Construction of Civil Works	36,375,267	0	35,000,000	1,375,267
Supply of Goods	121,691,274	14,698,550	111,926,963	24,462,861
Supply of Services	105,282,423	2,853,006	69,851,677	38,283,752
Total	263,348,964	17,551,556	216,778,640	64,121,880

19.2: Other Pending Payables (See Annex 3)

	Balance b/f Previous FY	Additions for the period	Paid during the year	Balance c/f Current FY
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government Entities				
Amounts due to County Government Entities				
Amounts due to Third Parties	333,392,762	0	75,072,086	258,320,676
Total	333,392,762	0	75,072,086	258,320,676

Notes to the Financial Statements (Continued)

19.3 External Assistance

	2023/2024	2022/2023
Description	Kshs	Kshs
External Assistance received in Cash	0	0
External Assistance received as Loans and Grants	13,168,514,856	23,707,183,185
External Assistance received In Kind- as payment by Third Parties	0	0
Total	13,168,514,856	23,707,183,185

a) External assistance relating loans and grants

	2023/2024	2022/2023
Description	Kshs	Kshs
External Assistance received as Loans	12,832,572,140	23,620,622,153
External Assistance received as Grants	335,942,716	86,561,032
Total	13,168,514,856	23,707,183,185

(Total here to tie to line 2 of note 4).

b) Classes of providers of external assistance

	2023/2024	2022/2023
Description	Kshs	Kshs
Multilateral Donors	335,942,716	23,183,185
Bilateral Donors	-	
International Assistance Organization		
NGO's		
National Assistance Organization		
Total	335,942,716	23,183,185

(Provide details of the reasons for external assistance e, g. Economic development or welfare objective, Emergency relief, Trading activities. The total here should tie to totals of note 4).

Notes to the Financial Statements (Continued)

19.4. Payments by third party on behalf of (the MDA)

This relates to payments done directly to supplier on behalf of the entity governments such as; national government may fund the operation of health or education program, a donor may pay directly for construction of a given market etc.

a) Classification by Source

	2023/2024	2022/2023
Description	Kshs	Kshs
National government		
Multilateral donors	11,109,377,301	
Bilateral donors		
International assistance organization		
NGOs		
National Assistance Organization		
Total	1,109,377,301	

19.5 Contingent Liabilities

Contingent liabilities	2023/2024	2022/2023
	Kshs	Kshs
Charles Muchira Tamba (Kakamega HCC No. 13 of 2014) AG/WATER/97/2015 dated 13th September, 2014	2,422,103	
John Chomba T/A Range Merchants - vs- the Hon. Attorney General [Milimani CMCC 1063 of 2018 (formerly HCC 1323/2001)] AG/CAR/MENR/27/01 dated 26th August,2019	9,889,568	
Vincent Alukhula Malika - vs- the AG (Civil Suit No. 290 of 2012, Kakamega) AG/GC/MWD/432/12 Dated 7th March, 2018	0.00	1,812,855
Sarah Pensular Muyekane -vs-the AG (Vihiga SPMCC No 14 of 2011) AG/GCMENR/375/11 dated 23rd November, 2016	0.00	1,009,713
Ahmed Abubakar Hassan (Kisumu HCC No. 14 of 2002) AG/GC/MENWNR/62/5/06 TED 28th January, 2015	0.00	2,440,916

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Notes to the Financial Statements (Continued)

Charles Muchira Tamba (Kakamega HCC No. 13 of 2014) AG/WATER/97/2015 dated 13th September, 2014	000	2,422,103
Wycliff Madara -vs- Pascal Okumu & Attorney General (Busia PMCC No. 88 of 2006) AG/GC/MWD/8/06 dated 1st November, 2013	0.00	261,185
John Chomba T/A Range Merchants - vs- the Hon. Attorney General [Milimani CMCC 1063 of 2018 (formerly HCC 1323/2001)] AG/CAR/MENR/27/01 dated 26th August,2019	0.00	29,809,968
Eliud Nduguto -vs-the Hon. Attorney General (Kerugoya SPMCC No. 89 of 2008) AG/GC/MWD/1/08 dated 19th February, 2020	0.00	522,021
Zingo Investments Ltd - vs-Attorney General & Another (Nairobi CMCC No. 4163 of 2011) AG/GC/NLS/296/11	0.00	381,680
Sub Total	12,311,671	38,660,441
Bank guarantees in favour of subsidiary		
Contingent liabilities arising from PPPs		
Total	12,311,671	38,660,441

Notes to the Financial Statements (Continued)

19.6 Program for Results (PforR) Disclosure

This disclosure note is for entities implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of PforR:			Name of Financing Partners: xxx and xxx			
Expenditure Details*	Opening Cumulative for Previous FYs		Current FY		Total Cumulative	
	Budget	Actual	Budget	Actual	Budget	Actual
Program code						
Sub-program						
Sub-program						
Sub-total						
Program code						
Sub-program						
Sub-program						
Sub-total						
Total	xx	xx	xx	xx	xx	xx

Expenditure Details - Provide the details per your expenditure framework requirements. (Program, sub-program, and or economic Item)*

Notes to the Financial Statements (Continued)

22.9 Progress on follow-up of Prior Years Auditor-General’s recommendations.

The following is the summary of issues raised by the Auditor-General during the prior year and management comments that were provided.

Referen ce No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
968	Variances between the Financial Statements and Confirmations from Other Government Agencies	The Ministry received confirmations from 3 rd parties and reconciliations has been done	Unresolved	30th June 2023
969	Pending Bills	The bills could not be paid due to insufficient recurrent budget allocation. However, the Ministry has been giving priority to pending bills, some of them have been cleared.	Unresolved	30th June 2023
969.13	Unreported Pending Bills	The bills could not be disclosed since they had not been verified; these bills have since been verified and paid	Unresolved	30th June 2023
969.2	Unsupported Pending Bills	The pending payables were subjected to audit verification and determined not to be payable and hence eliminated	Unresolved	30th June 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
969.3	Outstanding Compensation Claims and Legal Fees	from the current pending payables The Ministry has made several requests for additional budget from the National Treasury for the purpose of defraying these pending bills but the funds have not been forthcoming.	Unresolved	30th June 2023
970	Delay in Exchequer Releases	The Ministry is also working closely with the National Treasury by providing cash flow requirements to the National Treasury to enable timely facilitation for exchequer.	Unresolved	30th June 2023
974	Lack of a Complete Fixed Asset Register and Ownership Documents	The Water Appeals Board Operations budget and staff are still managed under the Ministry and therefore their vehicles are fuelled and managed by the transport section within the Ministry.	Unresolved	30th June 2024
975	Irregular Disposal of Motor Vehicles	The management wishes to state as that these vehicles were grounded and originally in the custody of the water department in Migori county.	Unresolved	30th June 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
976.1	Kanini Irrigation Project Tharaka Nithi	The project was not completed on the grounds the contractor sited which included prevalence of heavy rainfall, difficulties due to the need for extra quantities compared to those in the initial contract arising from the resident engineer's instructions and strict COVID-19 protocols that limited the movement from one region to the other	Unresolved	
976.2	Maragua Bulk Water Supply and Irrigation Project	The Contractor has been granted an Extension of Time without cost these safeguards the Ministry from incurring any additional project costs not in the budget and ensure there is value for money.	Unresolved	30th June 2024
977	Inconsistent Budgeting and Reporting of Projects	The Program's activities were budgeted for under Item 3110500: Civil Works. This classification reflects the economic activity of the Program.	Unresolved	30th June 2024
978	Ineffective Audit Committee	The process of recruiting of new audit committee members have been initiated by the Head of Internal Audit Unit.	Unresolved	30th June 2024

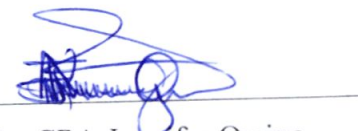
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Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report.
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management.
- (iii) Before approving the report, discuss the timeframe with the appointed focal persons within your entity responsible for implementation of each issue.
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



Julius Korir, CBS
Principal Secretary



Dr. CPA Jennifer Owino
Ag.Head Accounting Unit
ICPAK M/No.13143

1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance 2024
			a	b	c	d=a+b-c
Supply of goods						
1. Inbox General Suppliers Ltd	Desktop Computers		0.00	749,650	0.00	749,650
2. Qubert Ventures	Visitors and Office Chairs		0.00	513,000	0.00	513,000
3. Viaroots Ventures Limited	Supply of Office Furniture		0.00	1,429,200	0.00	1,429,200
4. Mastermind Branding Limited	Branded T-shirts, Jackets and Banners		0.00	1,593,500	0.00	1,593,500
5. Mamola Company Limited	Branded Umbrellas and Water Tanks		0.00	1,149,000	0.00	1,149,000
6. Zalyne General Supplies	Supply of Toners		0.00	698,100	0.00	698,100
7. Johub General Supplier	Imac Desktop Computers		0.00	498,000	0.00	498,000
8. Versaillies Merchants Limited	Desktop and Laptop computers		0.00	2,582,500	0.00	2,582,500
9. East Africas General Supplier	Fuel and Lubricants		0.00	866,100	0.00	866,100
10. Oakin Limited	Branded T-shirts.		0.00	2,550,000	0.00	2,550,000
11. Kenun Limited	Branded Lesos		0.00	210,000	0.00	210,000

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Supplier of Goods or Services	Particulars	Original Amount	Balance at the beginning of the year	Addition During the year	Amount paid During the year	Outstanding Balance 2024
12. Cruzona Investments	Motor Vehicle Tyres		0.00	1,859,500	0.00	1,859,500
Sub-Total			0.00	14,698,550	0.00	14,698,550
Supply of services						
15.Red Court Hotel-The Boma Hotel	Conference Facility		0.00	451,500	0.00	451,500
16.Perklin Property Investment LTD	Conference Facility		0.00	320,0000	0.00	320,000
17.Sarova Woodlands Hotel Limited	Conference Facility		0.00	1,075,500	0.00	1,075,500
18.Techben Autospares and Garage	Repair of KAU 677P		0.00	199,056	0.00	199,056
19.Chamwa Motors Limited	Repair of Motor Vehicles		0.00	730,950	0.00	730,950
20.Engineers Board of Kenya	Annual Subscription Fee		0.00	20,000	0.00	20,000
21.Institute of H.R.M	Annual		0.00	56,000	0.00	56,000
Sub-Total			0.00	2,853,006	0.00	2,853,006
Grand-Total			0.00	17,551,556	0.00	17,551,556

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Annex 2 - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Date Payable Contracted	Original amount	Amount Paid To-Date	Outstanding Balance Current Year	Outstanding Balance Previous Year	Comments
			a	b	c=a-b		
Amounts due to National Govt Entities							
1.							
Sub-Total							
Amounts due to County Govt Entities							
2.							
Sub-Total							
Amounts due to Third Parties							
3.							
Sub-Total							
Others (specify)							
4.							
Sub-Total							
Grand Total							

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Annex 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
					1,714,808,524
Buildings and structures	1,714,752,524				188,878
Transport equipment	188,878				
Office equipment, furniture and fittings	670,171	2,144,550			2,814,721
ICT Equipment	264,112,976	17,092,200			281,205,176
Intangible assets	0.00	37,105,351			37,105,351
Total	1,979,724,549	56,342,101			2,036,066,650

(NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete and covers all the entity's assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No.23/2020 of The National Treasury)

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Annex 4 – LIST OF PROJECTS IMPLEMENTED BY (2023/2024)

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Water and Sanitation Development Project	Improvement of Water Supply and Sanitation	Project Manager	No
2	Horn of Africa	Delivering Groundwater services to priority areas regionally and Nationally.	Project Manager	No
3	Thwake Multipurpose Project	Dam construction	Project Manager	No

Annex 5 – LIST OF SCS, SAGAS AND PUBLIC FUNDS UNDER (2023/2024 ENTITY'S NAME)

Ref	SC, SAGA or Public Fund's name	Amount transferred during the year	Inter- entity reconciliations done? (yes/no)
1	Lake Victoria North Water Works Dev. Agency	799,000,000	Yes
2	Lake Victoria South Water Works Dev. Agency	877,605,143	Yes
3	Kenya Water Institute	983,000,000	Yes
4	Water Resources Authority	404,750,000	Yes
5	Tanathi Water Works Development Agency	404,750,000	Yes
6	North Rift Valley Water Works Development Agency	794,095,000	Yes
7	Coast Water Works Development Agency	717,999,999	Yes
8	Northern Water Works Development Agency	643,250,000	Yes
9	Athi Water Works Development Agency	3,239,325,794	Yes
10	Regional Centre on Ground Water Resource Education	95,900,000	Yes
11	Tana Water Works Development Agency	1,179,138,200	Yes
12	Central Rift Valley Water Works Development	907,500,000	Yes
13	Water Sector Trust Fund	1,728,231,673	Yes
14	Hydrologists Registration Board	24,999,996	Yes
15	Water And Sanitation Development Project	8,264,378,703	Yes
16	Thwake Multipurpose Water Development Project	736,500,000	Yes
17	Horn of Africa	704,990,150	Yes

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Annex 6 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Remarks
1	Charles Muchira Tamba (Kakamega HCC No. 13 of 2014) AG/WATER/97/2015 dated 13th September, 2014	Case not settled
2	John Chomba T/A Range Merchants - vs- the Hon. Attorney General [Milimani CMCC 1063 of 2018 (formerly HCC 1323/2001)] AG/CAR/MENR/27/01 dated 26th August,2019	Case not settled

Annex 7: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Annex 8: Disaster Expenditure Reporting Template

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/ recovery/ mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

Annex 9- Reports Generated from IFMIS

IFMIS financial reports to be presented on request.

