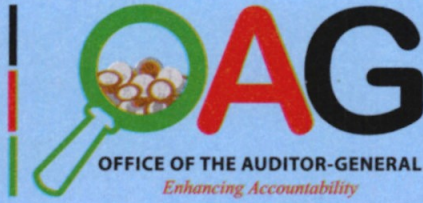


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DATE: 24 FEB 2026 DAY: Tuesday

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Hon. Owen Baya, MP
CLERK-AT-TABLE: Mr. Benson Inzofu

THE AUDITOR-GENERAL

ON

**NAIROBI RIVERS BASIN REHABILITATION
AND RESTORATION PROGRAM P-KE-EBO-010:
SEWERAGE IMPROVEMENT PROJECT
PHASE II**

**FOR THE YEAR ENDED
30 JUNE, 2025**

**ATHI WATER WORKS DEVELOPMENT
AGENCY**



PROJECT NAME:
NAIROBI RIVERS BASIN REHABILITATION AND RESTORATION PROGRAM: SEWERAGE IMPROVEMENT
PROJECT PHASE II

AfDB LOAN NO. 2000200003407 AND AfDB LOAN NO. 2100150040550

Implementing Entity:
Athi Water Works Development Agency

PROJECT CREDIT NUMBER:P-KE-EB0-010

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2025

Transitional IPSAS Financial Statements Prepared in accordance with the Accrual Basis of Accounting Method
under the International Public Sector Accounting Standards (IPSAS)

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***Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement
Project Phase II (P-KE-EB0-010)
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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

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1. Acronyms and Definition of Terms

ACRONYMS DEFINITION

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

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

Annual Report and Financial Statements for the financial year ended June 30, 2025

2. Project Information and Overall Performance

2.1 Name and registered office

Name:

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

Objective

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

Address

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

The address of its registered office is:

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

Contacts: The following are the project contacts

Telephone: (254) 0202724292/3
E-mail: info@awwda.go.ke
Website: www.awwda.go.ke

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

2.2 Project Information

Project Start Date:	November 2018
Project End Date:	31 ST December 2025
Project Manager:	Eng. Bonnie Nyandwaro
Project Coordinator:	Eng. James Muturi
Project Development Partner:	African Development Bank (AfDB)

2.3 Project Overview

Line Ministry or State departments	State Department of Water and Sanitation
Project number	P-KE-EB0-010
Strategic goals of the project	The strategic goals of the project is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Sanitation Infrastructure (ii) Institutional Development Support (iii) Project Management
Other important background information of the project	<p>The proposed project supports sanitation infrastructure investments including institutional capacity development funded through a combination of an ADB loan and GoK counterpart contribution.</p> <p>The funding instrument for the proposed intervention is sector investment and the project investments are to be complemented by AFD through parallel financing amounting to EUR 20 million (USD 24.645 million). AFD support focuses on reticulation sewers including last mile connections.</p> <p>The total cost of the Bank supported project components is estimated at EUR 70.841 million, net of taxes and duties. Of this,</p>

**Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement
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	EUR 51.806 million or 73.1% is in foreign currency and EUR 19.035 million is in local currency. The GoK counterpart - funding requirement for the project is 11.2% for implementation of RAP and land acquisition, payment of taxes and any other operational costs that will be incurred during project implementation
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> (i) Construct approximately 440 km of sewer reticulation network including last mile connections with a view to provide sewer connection to approximately 1,000,000 people. (ii) 40,000 people will benefit from 100 new and rehabilitated ablution blocks (iii) Rehabilitation and upgrade Dandora Estate Sewage Treatment Plant (DESTP) will significantly improve effluent discharge from the largest wastewater treatment plant in Nairobi. (iv) As part of the effort to deliver inclusive sanitation service, faecal sludge discharge points will be constructed within the sewerage network and 100 ablution blocks will be constructed in informal (v) AWWDA and NCWSC will benefit from capacity development support to strengthen the institution for the better planning, operational and management of sanitation services.
Project duration	7 Years

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

2.4 Bankers

The following are the bankers for the project:

- (i) Central Bank of Kenya
- (ii) NCBA Bank Kenya Plc, NIC House Branch, Nairobi.

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Eng. Joseph Kamau	Chief Executive Officer	Msc. Environmental Planning and Management, Bsc. Civil Engineering, IEK	Accounting Officer
2.	Eng. Bonnie Nyandwaro	Director, Infrastructure Development	Bsc. Civil Engineering, IEK	Project Manager
3.	Eng. James Muturi	Deputy Director -Sewer & Sanitation Infrastructure Development	Msc. Civil Engineering, Bsc. Civil Engineering, IEK	Project Coordinator
4.	Loise Kamau	Manager-Environment and Safeguards	BA Social studies	Project sociologist
5.	CPA, John Njoroge Ndegwa	Assistant Director-Finance and Accounts	MBA, BA, CPA-K	Project accountant
6.	Ann Gacheri	Assistant Director- Supply Chain Management	MBA, BA	Project procurement officer

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

The Project is for a duration of 7 years from 2018 to 2025 with an approved budget of Euro 70,841,000 broken down into: comprised of ADB loan (Euro 59,407,000) equivalent to Kshs 6,942,658,462, ADF loan (Euro 3,507,000) equivalent to Kshs 409,849,062, and GOK counterpart of Euro 7,927,000 equivalent to Kshs 926,396,782 as highlighted in the table below:

*Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date	
	Development Partner currency (Euro)	Kshs	Development Partner currency (Euro)	Kshs	Development Partner currency (Euro)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
	-	-	-	-	-	-
	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-
(ii) Loan						
African Development Fund (ADF)	3,507,000	409,849,062	2,843,346	332,290,497	663,654	77,558,565
African Development Bank (ADB)	59,406,900	6,942,646,775	47,157,349	5,511,090,734	12,249,551	1,431,556,041
Sub-total	62,913,900	7,352,495,837	50,000,695	5,843,381,231	12,913,205	1,509,114,606
(iii) Counterpart funds						
Government of Kenya	7,927,000	926,396,782	4,673,845	546,213,619	3,253,155	380,183,163
Miscellaneous income - Interest on Bank deposits	-	-	25,048	2,927,212	(25,048)	(2,927,212)
Miscellaneous income- proceeds from performance guarantee recall			54,483	6,367,247	(54,483)	(6,367,247)
Sub-total	7,927,000	926,396,782	4,753,376	555,508,079	3,173,624	370,888,703
Total	70,840,900	8,278,892,619	54,754,071	6,398,889,310	16,086,829	1,880,003,309

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilized balance to date (30 th June 2025)	
	Development Partner currency (Euro)	Kshs	Development Partner currency (Euro)	Kshs	Development Partner currency (Euro)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
N/A	0	0	0	0	0	0
(i) Loan						
African Development Fund (ADF)	2,843,346	332,290,497	2,710,009	316,707,964	133,337	15,582,533
African Development Bank (ADB)	47,157,349	5,511,090,734	47,157,349	5,511,090,734	-	-
					-	
(ii) Counterpart funds					-	
Government of Kenya	4,673,845	546,213,619	4,619,540	539,867,212	54,305	6,346,407
Miscellaneous income - Interest on Bank deposits	25,048	2,927,212	11,298	1,320,406	13,749	1,606,806
Miscellaneous income- proceeds from performance guarantee recall	54,483	6,367,247	-	-	54,483	6,367,247
Total	54,754,071	6,398,889,310	54,498,197	6,368,986,317	255,874	29,902,994

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

2.8 Summary of Overall Project Performance:

We submit the project performance as detailed below:

i) *Physical progress based on outputs and outcomes since project commencement,*

S/No	Project Name	Scope of Works	Progress of Works	Challenges
1.	<p>Lot 1 - Construction of DEWWTP Rehabilitation and Duplication Plant Inlet works</p> <p>Start Date: 21st February 2023 Revised End Date: 30th October 2025</p> <p>Cost: Kshs. 1,531,934,111.57 (Incl. VAT) Revised Contract Kshs: 2,023,148,086.32 (Incl. VAT)</p> <p>Contractor: Zhongmei Engineering Group Limited</p> <p>Impact: To increase the capacity of DEWWTP inlet works from 160,000m³/day to 320,000m³/day</p>	<ul style="list-style-type: none"> Rehabilitation of DESTW Inlet works. Duplication of DESTW Inlet works. Desludging of DESTW Anaerobic ponds and Ancillary works. Rehabilitation of Kiu Pumping Station 	<p>Progress at 88%</p> <ul style="list-style-type: none"> Constructed 3.5 km boundary wall and storm drainage channel – 100% complete Commenced duplication works for the inlet – 100% complete Fencing along Nairobi River 6.62/9.6km - completed Rehabilitation of access roads within WSPs – 100% complete Control building and Equipment room substantially complete at 100% complete. Installation and Testing of E& M equipment is complete 	<ul style="list-style-type: none"> Vandalism of fencing materials in the far remote sections of the site Inadequate budgetary allocation for Counterpart funding Delayed payment of VAT
2.	<p>Lot 2 - Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari reticulation Sewers.</p> <p>Cost – Kshs 2,154,077,997.67 Incl. of VAT</p> <p>Works Commencement date on 15th March 2021.</p> <p>End date: 16th December 2024</p> <p>Contractor: Shaanxi Water Resources & Hydropower Engineering Group Co. Ltd</p>	<p>Construction of:</p> <ul style="list-style-type: none"> 164.9km of reticulation sewers. 8000 nr House hold (including Approx. 20km of Tertiary Sewers for connections) connections 2nr Faecal Sludge Disposal Points 2Nr Ablution Blocks Improvements at Ruiru Sewage Treatment Works 	<p>Project substantially complete at 98%</p> <p>Laying 163.2 km of sewer line complete.</p> <ul style="list-style-type: none"> 27,318 No. household connections completed (26.580km of tertiary sewers) Completed 2 Nr Ablution Blocks Improved the inlet works of Ruiru WWTP. 	<p>Challenges</p> <ul style="list-style-type: none"> Inadequate budgetary allocation for counterpart funding Delayed payments of VAT component

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S/No	Project Name	Scope of Works	Progress of Works	Challenges
	Impact: To serve 200,000 people in Kahawa West, Githurai 44, 45, Gatongora, Kamiti and Kahawa Sukari.	•		
3.	<p>Lot 3 - Construction of Mwiki & Clay works reticulation Sewers Cost – Kshs 1,794,140,605.68 Incl. of VAT Works Commencement date on 22nd April 2021. End date: 30th November 2025</p> <p>Contractor: Jiangxi Water and Hydropower Construction Co. Ltd. JV Jiangxi Water and resources and hydropower development Co. Ltd Impact: To serve 160,000 people in Mwiki and Clay works areas.</p>	<p>Construction of:</p> <ul style="list-style-type: none"> • 153.6 km of reticulation sewers. • 4000nr House hold connections (Incl. Approx. 40km of Tertiary Sewers for connections) • 2nr Faecal Sludge Disposal Points. • Drilling and equipping of 10Nr. Boreholes and 24m3 elevated water tanks and water kiosks 	<p>Progress at 97%</p> <ul style="list-style-type: none"> • A total of 190.857 km of reticulation and tertiary sewers have been laid. • 3,907 Household Connections done 	Delayed payments of VAT component
4.	<p>Lot 4 - Construction of East and West of Nairobi Reticulation sewers Cost – Kshs 1,278,465,431.18 Incl. of VAT Works Commencement date on 3rd October 2021. End date: 2nd December 2025 Cost: Kshs 1,278,465,431.18</p> <p>Contractor: China Road and Bridge Corporation JV Hubei Shuizong water resources & Hydropower construction Co. Ltd. Impact: To serve 150,000 people in East and West Nairobi areas.</p>	<p>Construction of:</p> <ul style="list-style-type: none"> • 100.3 km of reticulation and trunk sewers. • 3000nr House hold connections • Rehabilitation of Jamhuri Dam in the Agricultural Society of Kenya (ASK) Showground 	<p>Progress at 77.14%</p> <ul style="list-style-type: none"> • 58.4km sewers have been laid • Completed 368 Household connections • Purchased 126km of pipes 	Delayed payments of VAT component

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S/No	Project Name	Scope of Works	Progress of Works	Challenges
5.	<p>Lot 5 -Construction Works for Extension of Water and Sewerage Intervention for Informal Settlements</p> <p>Start Date: 31st October 2022 End Date: 30th December 2024</p> <p>Cost: Kshs 298,935,863.38</p> <p>Contractor: Elvi General Engineering and Supplies Ltd.</p> <p>Impact: To serve 100,000 people in Nairobi Informal Settlements.</p>	<ul style="list-style-type: none"> • 25 No. Ablution Blocks in the selected areas in table (1) below. • 10 No. Pilot Fresh-life toilets in Mukuru • 35 KM of Simplified sewers to achieve at least 700 No. last mile household connections 	<p>Project Substantially complete</p> <ul style="list-style-type: none"> • 24 No. Ablution blocks handed over to Employer and CBO and are operational • 1 No. abluion block are substantially complete • 15 No. abluion blocks rehabilitated and handed over • 9 No. rehabilitated abluion blocks are substantially complete. • 31.1 km of simplified sewer lines laid • 35 km of water lines completed • 632 nr sewer house-holds connections completed • 32 No. pour flush toilet have been handed over and 35nr. Are substantially complete. 	<p>Delayed payments of VAT component</p>
6.	<p>Rain Water Harvesting</p> <p>Start Date: July 2023 End Date: 31st August 2025</p> <p>Supplier: Tripple M Stores Limited Cost: Kshs 24,558,534.00 (Incl. VAT)</p>	<ul style="list-style-type: none"> • Rainwater harvesting for 100 No. 10,000 ltrs. Tanks. • Rainwater harvesting for 150 No. 6,000 ltrs. Tanks. 	<p>Installation of rainwater harvesting tanks commenced in July 2023.</p> <p>200 of 250 tanks have been installed. Works is ongoing at 80.0%</p>	<p>None</p>
7.	<p>Tree Planting of 10,000 tree seedlings in partnership with schools and communities will be undertaken once project implementation begins and a strategy for implementation will be formulated</p> <p>Start Date: 30th March 2023 End Date: 30th December 2025</p> <p>Supplier: Kenya Forest Service (KFS)</p> <p>Cost: Kshs 8,742,792.00 (excl. VAT)</p>	<p>Planting of 10,000 tree seedlings</p>	<p>Contract is under implementation KFS has planted all the 10,000 trees. Nurturing ongoing for 3 years to ensure survival.</p>	<p>None</p>

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Goods

Project Name	Project Scope	Progress to date	Challenges
Supply and delivery of Operational Vehicles for Nairobi City Water and Sewerage Company	The contract was signed at a contract sum of Kshs 62,977,234.04 inclusive of taxes. It was for supply of vehicles for Nairobi city water and sewerage	The contract is completed	None
Upgrade of ICT Systems for Nairobi City Water and Sewerage Company	The contract was awarded on 14 th Oct 2020 at a contract sum of USD 1,627,303.36 inclusive of VAT	The contract is completed	None
Supply and Delivery of 11 No. Trucks (4 TON & 7 TON)	The contract was awarded on 14 th Oct 2020 at a contract sum of Kshs 59,434,347.6 Exclusive of VAT	The contract is completed	None
Supply and Delivery of 4 no. Exhausters (2 big and 2 small)	The contract was awarded on 14 th Oct 2020 at a contract sum of Euro 596,338	The contract is completed	None
Supply and Delivery of 2 no. Sewer Flushing Vehicles	The contract was awarded on 14 th Oct 2020 at a contract sum of Euro 670,304	The contract is completed	None
Supply and Delivery of 2 No. Generators for Kariobangi Waste Water Treatment Plant	The contract was awarded on 14 th July 2021 at a contract sum of Kshs 63,672,473.88	Contract has been terminated. In the process of submitting SPN to the bank for reprocurement	Variation in prices
Supply, Delivery, Installation and Commissioning Laboratory Equipment	The contract was awarded on 14 th Oct 2020 at a contract sum of Kshs 26,666,300 Exclusive of VAT	The contract is completed	None
Rain Water Harvesting Activities: Supply and Installation of Water Tanks	The contract was awarded on 14 th April 2022 at a contract sum of Kshs 24,558,534.00 inclusive of VAT	The contract is ongoing, 150 out of 250 tanks already installed	None

Consultancies

Project Name	Consultancy Scope	Progress to date	Challenges
Consultancy Services for Design Review and Construction Supervision of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	Design review, tender documentation connections inventory and assistance in procurement of works contractor. Construction supervision and RAP/ESIA Implementation	The consultancy is on course	None

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Project Name	Consultancy Scope	Progress to date	Challenges
	Cost of Contract USD 283,600 Kshs 2,472,500 exclusive of indirect taxes		
Consultancy Services for Design Review and Construction Supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers	Design review tender documentation and construction supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers Cost of Contract Kshs 83,620,000 exclusive of indirect taxes	The consultancy is on course	None
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	Design and construction supervision for rehabilitation and expansion of Dandora Estate sewerage treatment plant Cost of Contract Kshs 65,716,130.00 exclusive of indirect taxes	The consultancy is on course	None
Consultancy services for design review and construction supervision of water and sanitation services for Nairobi Informal settlements	Design review and construction supervision of water and sanitation services for Nairobi Informal settlements Cost of Contract Kshs 59,854,550 inclusive of indirect taxes	The consultancy is on course	None
Consultancy Services for Water Quality Monitoring and assessment of Nairobi River	Water Quality Monitoring and assessment of Nairobi River Cost of Contract Kshs 24,802,940 exclusive of indirect taxes	The consultancy is on course	None
Communication Consultancy	This is a consultant meant to document the project activities and impact	The contract is on course	None

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Project Name	Consultancy Scope	Progress to date	Challenges
	Cost of contract Kshs. 37,777,720 inclusive of taxes		
Consultancy Services for Detailed Design and Preparation of Tender Documents on Energy Generation at DEWWTP	Detailed design, tender documents for energy generation Cost of Contract USD 1,716,571.05 Kshs 6,105,263.15 inclusive of taxes	Contract on course	None
Feasibility Study, Detailed Design and Preparation of Tender Documents on Operation and Mechanization of Waste Water Treatment Plant at Karen WWTP	Feasibility study, detailed design and tender documents Cost of Contract Kshs 20,500,000 exclusive of taxes	Contract on course	None

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- ii) *Indicate the absorption rate for each year since the commencement of the project.*

- iii) *The programme has the following challenges;*
 - a) *Delayed payment of the Contractors' IPCs affecting their cashflow.*
 - b) *Constricted working spaces especially in Githurai, Kahawa and Mwiki.*
 - c) *Encroachment of wayleaves especially along rivers.*
 - d) *Inadequate GoK counterpart for tax payments*
 - e) *Non-receipt of GoK counterpart allocation for the year*

Recommendation:

Considering the procurements under the programme, GOK is expected to allocate the VAT amounts in excess of Kshs 393 million to avoid financial claims on delayed VAT payments and delays in the implementation of projects as a result of cash flow challenges on the contractors.

2.9 Summary of Project Compliance:

The project performed all its activities ensuring compliance with applicable laws and regulations, including the treasury circulars on project investment management, PFM Act 2012 and the attendant regulations. Further all the activities undertaken are aligned to the financing agreement covenants between the GoK and the African Development Bank (AfDB).

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the Nairobi Rivers Rehabilitation and Restoration Programme Sewerage Improvement Project Phase II is to *improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.*

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement. Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance	Remarks on variances
Nairobi Rivers Rehabilitation and Restoration Programme Sewerage Improvement Project Phase II.	To improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.	440 km	Length of Trunk and laterals sewers installed	410.2km	Part of the trunk sewers has been rescoped for lot 4 contract following re-alignment of the current trunk
		134.4 km	Length of tertiaries installed	86.5km	Construction of Tertiary sewers is still ongoing together with household connections
		160,000m3/day	Wastewater treatment capacity added	160,000m3/day	The Dandora WWTP inlet works completed and handed over for operation
		50 (25 new & 25 rehabilitated)	No of gender sensitive ablution blocks constructed	49 (25 new and 25 rehabilitated)	There is one whose rehabilitation is substantially complete awaiting handover
		10,000	Tree planted along rivers	10,000	Target met
		Completed	Study on methane capturing conducted	0 (ongoing)	The consultancy for this study is ongoing but is expected to be completed before 31 st December 2025
		1	No of Laboratories Constructed and equipped	1	The project equipped the laboratory at Dandora Wastewater Treatment Plant

*Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)
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Project	Objective	Outcome	Indicator	Performance	Remarks on variances
		1	No. of Business Plans updated	0	The TOR for consultancy to develop the business plan has been submitted to the financier for approval
		20 (50% female)	No. staff trained	35 (15 female)	Training is still ongoing with priority being given to females to achieve 50%
		10	No. of sensitization campaigns in health & hygiene practices	0	Sensitization was awaiting completion the facilities. It has since commenced and is expected to be completed by 30 th September 2025
		60% (2.2million-50% female)	% & No. of people in Nairobi with access to improved sanitation services (50% women)	952,000	The household connections are still ongoing and the actual numbers will be established once the exercise is completed. The gender disaggregation will be established after undertaking the project completion report whose TOR is with the financier for approval.
		30mg/l	BOD ₅ of wastewater discharged into Nairobi Rivers	TBD	The BOD ₅ is to established upon completion and operation of the WWTP for 6 months. This is to allow for full effect of the new works to be measured.

4. Environmental and Sustainability Reporting

The Project objective is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of river water quality within the Nairobi Rivers Basin.

1. Sustainability strategy and profile

Sustainability was a key consideration under the NARSIP II program. The program is a scaleup of NARSIP I aiming to increase sanitation coverage to up to 70% by constructing primary and secondary sewers to serve the areas covered by the trunk sewer system under NaRSIP I. It is guided by three specific objectives including:

- (i) To increase sewerage coverage in Nairobi City from about 48% to 60%
- (ii) To reduce pollution levels of Nairobi River by collecting and treating 80,000m³/d of waste water, and
- (iii) To enhance sustainability of sewerage operations through increased revenue collection.

2. Environmental performance

For environmental sustainability all the sub-projects have environmental impact assessments done and licenses. Additionally:

- The project's major component, "sanitation infrastructure", has direct impact to environmental sustainability as it entails the rehabilitation and expansion of wastewater infrastructure in Nairobi including in informal settlements. This ensures that waste water is collected and safely treated before discharge to the rivers thereby improving the river water quality.
- The tree planting component will provide an opportunity for carbon sink
- The studies under the program for energy regeneration provides an opportunity to reduce methane gas impact to the environment
- Solarization of waste water treatment plants enables the use of renewable solar energy thereby reducing the carbon footprint

3. Employee welfare

The project team comprises of AWWDA's staff hence the applicable welfare issues are guided by the institutional policies.

AWWDA always ensures that all the project activities are carried out in line with the Occupational Safety and Health Act of 2007 (OSHA).

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

The Agency has put in place systems that the project respects the terms and conditions of contract. This brings about good partnership and effective project delivery. Some of the practices within the project that ensure good business practices, responsible treatment of suppliers including honouring of contracts and respect to payment terms include:

i. Contract Negotiation/Pre-contract Clarification: The Agency engages in fair and transparent contract negotiations with its suppliers. Contracts clearly outline the terms and conditions, including the scope of work, pricing, delivery schedules, quality requirements, and any other relevant details.

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

iii. Clear Payment Policies: In compliance with the Agency's service charter, there's clear payment policies that specify payment terms, mode, and timelines which are agreed upon during contract negotiations. The Agency has also invested in automated payment systems ERP that streamline the payment process, reducing the chances of errors and delays for projects.

iv. Whenever there are delay in payment, an open and transparent communication channel is maintained. If any payment delays are anticipated, the organization informs the suppliers in advance and works together to find a mutually acceptable solution.

v. Early Payment Programs: The agency offers early advance payments to suppliers who may benefit from faster access to funds upon presentation of an advance payment guarantee.

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

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

b) Responsible ethical practices

AWWDA has ensured that responsible competitive practices within the Agency are practised by promoting ethical behaviour, transparency, and compliance with relevant laws and regulations i.e., PPADA ACT 2015 and its Attendant Regulations, donor funded Rules and Procedures governing Procurement of Goods Works and Services, Executive Orders and Circulars issued from time to time by the NT, and Regulator PPRA.

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

Code of Conduct and Ethics: The Agency has established a comprehensive code of conduct that clearly outlines the expected behaviour of all staff during implementation of projects. All staff deployed to the projects, contractors engaged by the institution and other stakeholders are required to uphold the highest ethical standards.

Compliance reporting: The Agency Prepares statutory compliance reports to the Various Regulatory Bodies on projects i.e., PPRA, NT, and EACC and reports all the awarded contracts through the PPIP Portal (Public Procurement and Information Portal) which is accessible by the public with disclosures of Beneficial Ownership Information for all awarded contracts. Quarterly reports are also submitted to donors who finance projects and for monitoring of compliance with the financing agreement.

Projects teams are expected to comply with the principles guiding public employees and restriction towards involvement in any political activities. However, good working relationship with all stakeholders including political leaders within projects areas is encouraged as part of public participation towards project delivery.

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

c) Regulatory impact assessment

Article 10(2) of the CoK, 2010 indicates that public participation is among the national values and principles of national governance. As such, citizens and stakeholder rights need to be upheld in implementation of projects. The Agency endeavours to comply with the requirements of the constitution and all the other laws that safeguard citizen and stakeholder's rights and as part of its commitment to achieve the same, the following is practiced in projects:

The Agency ensures projects are scoped in consultation with the citizens' through public participation and engagement. During contracting, procurement is done through open and competitive process ensuring transparency and once contract is signed a framework of continuous monitoring of projects is established to ensure value for money and that the set objectives of the project are fully met, delivered within the set timelines and the set budgetary allocation.

Incorporating initiatives such as Buy Kenya Build Kenya in its performance targets which go a long way in support of local citizens and brings about sustainability of the local industries and involvement of the local communities and

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stakeholders in the projects. The AGPO programme promotes and safeguards marginalized groups which includes; Youth, Women and Persons living with disability to be able to participate in projects, this brings about diversity and inclusion of small and minority-owned businesses.

5. Community Engagements

The project is aimed at ensuring provision of sanitation facilities hence taking away waste water from people and safely treating it. It involves continuous engagement with the communities within Nairobi City in the process of wayleave access during construction phase and also in the management of the standalone sanitation facilities like the ablution blocks which are managed by CBOs.

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5. Statement of Project Management Responsibilities

The *Chief Executive Officer* for Athi Water Works Development Agency and the *Project Manager* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

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 project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The *Chief Executive Officer* for Athi Water Works Development Agency and the *Project Manager* accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Chief Executive Officer* for Athi Water Works Development Agency and the *Project Manager* are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The *Chief Executive Officer* for Athi Water Works Development Agency and the *Project Manager* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The *Chief Executive Officer* for Athi Water Works Development Agency and the *Project Manager* confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Chief Executive Officer* for Athi Water Works Development Agency and the *Project Manager* on 12/9/2025 and signed by:



**Name: Eng. Joseph Kamau
Chief Executive Officer**



**Name: Eng. Bonnie Nyandwaro
Project Manager**

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NAIROBI RIVERS BASIN REHABILITATION AND RESTORATION PROGRAM P-KE-EBO-010: SEWERAGE IMPROVEMENT PROJECT PHASE II FOR THE YEAR ENDED 30 JUNE, 2025 – ATHI WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure 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.

An Unmodified Opinion is issued when the Auditor-General concludes that 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 aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II set out on pages 1 to 33, which comprise of the statement of financial position as at 30

June, 2025 and the statement of financial performance, statement of changes in net assets, 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.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II Management in accordance with ISSAI 130 on 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 opinion.

Emphasis of Matter

1. Long Outstanding Accounts Payables

The statement of financial position as disclosed in Note 23 reflects pending payables balance of Kshs.650,958,690 which includes a balance of Kshs.282,947,085 for pending payables brought forward from previous years. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provision of the subsequent year subsequent as they should form first charge.

2. Commitment Charges on Undrawn Loan Balances

The funding summary and as disclosed in Paragraph 2.7 A of non-financial information outlines support to Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project phase II (NARSIP II) from project start date of November, 2018 to December, 2025. The ADB and ADF donor committed Kshs.6,942,658,462 and Kshs.409,849,062 respectively. However, for the seven years the project has been under implementation, Kshs.5,511,090,734 and Kshs.332,290,497 have been drawn from ADB and ADF leaving an undrawn balance of Kshs.1,431,556,041 and Kshs.77,558,565 respectively as at 30 June, 2025. The undrawn balance has incurred commitment charges of Kshs.3,578,890 and Kshs.387,792 respectively.

3. Undisclosed Special Deposit Account Balance

The Project's special deposit account maintained at the Central bank of Kenya reflects a closing account balance of Kshs.15,592,973 (EUR 102,249). However, the Project did not disclose this balance in the financial statements as at 30 June, 2025 contrary to the requirement of International Public Sector Accounting Standard (IPSAS) No.23 – revenue from non-exchange transactions. In addition, amount withdrawn and expenditure not claimed totaled EUR253,536 (Kshs38,661,704) as at 30 June, 2025.

4. Delay in Disbursement of Government Counterpart Funding

The statement of financial performance reflects a loan amount from African Development Bank of Kshs.1,358,275,898 and Kshs.94,849,845 as counterpart funding from the Government of Kenya. The total cumulative counterpart funding from the Government of Kenya as at 30 June, 2025 stood at Kshs.546,213,619. This represent 41% of the total counterpart financing projection of Kshs.926,396,782 as disclosed in Paragraph 2.7 on funding summary of the financial statements. The expected closing date of the projects is set on December, 2025 and it is doubtful that the counterpart financing balance of Kshs.380.183.163 will be disbursed to the project activities before closure date.

5. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,240,138,260 and Kshs.1,528,556,754 respectively resulting to an over-funding of Kshs.288,418,494 or 23% of the budget. Similarly, the project spent a balance of Kshs.1,520,603,541 against actual receipts of Kshs.1,528,556,754 resulting to an under-utilization of Kshs.7,953,213.

The under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

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. There were no key audit matters to report in the year under review.

Other Matter

1.Unpaid Value Added Tax

The statement of financial position and Note 23 to the financial statement reflects trade and other payables balance of Kshs.650,958,690 which included Value Added Tax due for works certified and paid of Kshs.420,937,612. Review of records revealed that only VAT amounting to Kshs.19,620,905 has been paid between December, 2021 and December, 2022 resulting to long outstanding VAT payable amount of Kshs.401,316,707.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under Emphasis of Matter, Other Matter and Report on Lawfulness and Effectiveness in Use of Public Resources However, Management has not resolved some of the issues or given any explanation for failure to resolve them as at 30 June,2025 as shown below:

1. Long Outstanding Pending Accounts Payables
2. Delayed disbursement of Government Counterpart Funding

3. Construction of Dandora Estate Waste Water Treatment and Rehabilitation and Duplication plant Inlet Works; -
 - a) Slow Progress of Works on Desilting and Desludging of Ponds
 - b) Vandalism
 - c) Diversion of funds
4. Construction of Mwiki and Clayworks Reticulation Sewers
5. Variation of Contract Sum Due to Proposed Sewer Line Passing Through a Forest Reserve for Lot 4: construction of East and West of Nairobi Reticulation Sewers
6. Payment of Kenya Forest Service for Special User License

My opinion is not modified in respect of this matter.

Other Information

The Management is responsible for the Other Information set out on page iii to xxiii which comprise of Project Information and Overall Performance, Statement of Performance against Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's 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.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

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 effect 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.Delay in the Construction Works for East and West of Nairobi Reticulation Sewers

The statement of financial position and Note 21 to the financial statements reflects property, plant, and equipment balance of Kshs.7,118,326,283. Included in this balance is Kshs.1,278,465,431 for Construction Works for East and West of Nairobi Reticulation Sewers which was awarded to a joint venture under Contract No.

AWWDA/NARSIPII/W-04/2021, signed on July 29, 2021, for Kshs.1,278,465,431 and a contract period of 18-months, commencing on September 3, 2021 with an initial completion date of March 3, 2023. However, the project timeline has been extended four times via Extensions of Time (EOTs) Nos. 1 through 4, resulting in a cumulative delay of 994 days, thereby postponing timely completion and delivery of the works.

In the circumstances, delayed completion of the Project may result in cost over runs and hinder the timely realization of project objectives

2. Delayed Completion of Construction of Dandora Estate Waste Water Treatment Plant (DEWWTP) Rehabilitation and Duplication of Inlet works-Lot 1

The statement of financial position and Note 21 to the financial statements reflects property, plant, and equipment balance of Kshs.7,118,326,283. Included in the balance is additions of Kshs.387,634,460 related to Construction of Dandora Estate Waste Water Treatment Plant (DEWWTP)- Rehabilitation and Duplication of Inlet Works. The contract was awarded to a construction company vide contract no. AWWDA/NARSIP II/W-01/2022 on 19 July, 2019 for a sum of Kshs.1,531,934,111 inclusive of VAT and a contract period of eighteen (18) months. However, two (2) extensions of time (EOTs) totaling 56.2 months including interim extension of time no. 2 have delayed the project's completion significantly.

As per project verification done in September, 2025, the Project works were at 89.91% completion, against a time-lapse of 98.18% or 30.25 months. It is unclear when the project will be completed as some work components are pending including;

- i. Desilting of the Nairobi Trunk Sewer had not commenced.
- ii. Supply and installation of complete 3No. (2 no. Duty and 1 no. Standby) 1,500m³/h and 22m total head and associated starters and switch gears had not been done.
- iii. Supply and installation of a new fine and course screens and associated mechanical raking system had not been done.
- iv. Supply, installation and commissioning of solar power system had not started.
- v. Rehabilitation of the existing washrooms, staff houses and pumping station were incomplete.

In the circumstances, the delayed completion of the project may hinder the timely realization of project objectives

3. Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers- Contract No. AWWDA/NARSIP II/W-02/2020 -Lot 2

The statement of financial position and Note 21 to the financial statements reflects property, plant, and equipment balance of Kshs.7,118,326,283. Included in this amount is Kshs.2,154,077,998 (inclusive of VAT) awarded to a construction company for Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers. The following anomalies were noted;

i. Delay in Project Completion

The contract, signed on February 3, 2021, for Kshs.2,154,077,997.67 (inclusive of VAT), was initially set for completion on September 14, 2022. This was extended through Extension of Time No. 1 (Addendum No. 1) to September 29, 2023, and further extended via Extension of Time No. 2 to July 11, 2024. A final Extension of Time No. 3 set the completion date to December 16, 2024, when the project was declared substantially complete. As of the project verification date on September 9, 2025, the project is at 98% completion. The Defects Notification Period (DNP) began on December 16, 2024, and is scheduled to end on December 16, 2025.

ii. Stalled Ruiru Wastewater Treatment Plant

Project verification done on 9 September, 2025 revealed the contractor had not been on site for more than a year. The remaining works are: installation of screens, hand stops, ultrasonic meters, site and ancillary works including drainage, driveways and lighting.

iii. Un-executed Faecal Exhauster Discharge Points

The designs and drawings for the Faecal Exhauster Discharge Point at Dandora Estate Sewage Treatment Works (DESTW) in Ruai were submitted to Athi Water Works Development Agency (AWWDA) in the financial year 2022/2023 in Bill No. 11 at Kshs.68,296,750. Monthly progress report for July, 2025 stated the Faecal Exhauster Discharge Point at Dandora Estate Sewage Treatment Works (DESTW) in Ruai would be implemented under a different project. It is not clear why these works were initially included in the original Bill of Quantities (BoQ) and feasibility studies, including detailed drawings, only to remain unexecuted, despite their potential to serve the residents of Nairobi, Kiambu, and Murang'a as part of a significant capital project.

In the circumstances, the delayed completion of the project may hinder the timely realization of project objectives

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by African Development Bank, I report, based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that

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

Auditor-General's Responsibilities for the Audit

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 of 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 ISSAIs 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 October, 2025

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7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	1,453,125,743
Miscellaneous Revenue	7	6,726,381
Total revenue		1,459,852,124
Expenses		
Employee costs	8	-
Use of goods and services	9	46,461,229
Depreciation and amortization expense	10	-
Transfer to other Government Entities	11	-
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	-
Total expenses		46,461,229
Other gains/(losses)		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
Surplus/ (deficit)		1,413,390,894

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



Chief Executive Officer

Name: Eng. Joseph Mungai Kamau



Project Manager

Name: Eng. Bonnie Nyandwaro



Director Finance

Name: CPA, Michael Kihungi Kimotho
ICPAK Member Number: 6490

(Paragraph 79 of IPSAS 33 allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position, and an opening statement of financial position at the time of adoption of the accrual basis of accounting. In preparing this financial reporting template, this election has been made; therefore, there are no comparatives in the first year of transition.)

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8. Statement of Financial Position as at 30th June 2025

	Note	2024/2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	17	7,953,213	45,071,879
Receivables	18	8,314,993	471,858,797
Inventories	19	-	-
Prepayment	20	-	-
Total Current Assets		16,268,206	516,930,676
Non-Current Assets			
Property, Plant and Equipment	21	7,118,326,283	5,364,388,801
Intangible Assets	22	-	-
Total Non- Current Assets		7,118,326,283	5,364,388,801
Total Assets (a)		7,134,594,490	5,881,319,476
Liabilities			
Current Liabilities			
Trade and Other Payables	23	650,958,690	868,420,202
Third Party Deposits	24	529,405,734	379,872,819
Deferred Income	25	-	-
Total Current Liabilities		1,180,364,424	1,248,293,021
Total Liabilities (b)		1,180,364,424	1,248,293,021
Net Assets (a-b)		5,954,230,065	4,633,026,455
Represented By:			
Accumulated Surplus		5,954,230,065	4,633,026,455
Total Net Assets		5,954,230,065	4,633,026,455

The financial statements were approved on _____ 2025 and signed by:



Chief Executive Officer
Name: Eng. Joseph Mungai Kamau



Project Manager
Name: Eng. Bonnie Nyandwaro



Director Finance
Name: CPA, Michael Kihungi Kimotho
ICPAK Member Number: 6490


*Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement
Project Phase II (P-KE-EB0-010)
Annual Report and Financial Statements for the financial year ended June 30, 2025*

9. Statement of Changes in Net Assets

Description	Accumulated Surplus Kshs
As at 30th June 2024 (Cash Basis)	45,071,879
	-
Adjustments: (to recognize assets and liabilities)	
Longterm assets	5,364,388,801
Receivables	471,858,797
Creditors	(868,420,202)
Third party deposits	(379,872,819)
As at 1st July 2024	4,633,026,455
Surplus/(Deficit) for the year	1,413,390,894
Accumulated fund transfers	(92,187,284)
As at 30th June 2025	5,954,230,065

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


The financial statements were approved on _____ 2025 and signed by:



Chief Executive Officer
Name: Eng. Joseph Mungai Kamau



Project Manager
Name: Eng. Bonnie Nyandwaro



Director Finance
Name: CPA, Michael Kihungi Kimotho
ICPAK Member Number: 6490

*Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement
Project Phase II (P-KE-EB0-010)
Annual Report and Financial Statements for the financial year ended June 30, 2025*

10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	2024/2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	26	124,849,845
Miscellaneous Revenue	27	359,133
Total receipts		125,208,978
Payments		
Employee costs		-
Use of goods and services	9	46,461,229
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Certified Works		
Total payments		46,461,229
Net cash flow from operating activities		78,747,748
Cashflow from investing activities		
Acquisition of non-financial assets	28	(115,866,414)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
Net cash flows from investing activities		(115,866,414)
Cash flow from financing activities		
<i>Loan receipts</i>	29	-
Net cash flow from financing activities		
Net increase/Decrease in cash and cash equivalents		(37,118,666)
Cash and cash equivalent at 1st July 2024		45,071,879
Cash and cash equivalent at end June 2025	xx	7,953,213

*Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)
Annual Report and Financial Statements for the financial year ended June 30, 2025*

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue transfers-GoK Counterpart	100,000,000	8,340,000	108,340,000	124,849,845	(16,509,845)	115%
Revenue transfers-Loan revenue	2,526,000,000	(1,446,000,000)	1,080,000,000	1,358,275,898	(278,275,898)	126%
Miscellaneous Revenue		6,726,381	6,726,381	359,133	6,367,248	5%
Fund balance B/F		45,071,879	45,071,879	45,071,879	0	100%
Total Revenue	2,626,000,000	(1,385,861,740)	1,240,138,260	1,528,556,754	(288,418,495)	123%
Payments						
Employee costs	-	-	-	-	-	0%
Use of goods and services	46,500,000		46,500,000	46,461,229	38,771	100%
Acquisition on non-financial assets	2,579,500,000	(1,385,861,740)	1,193,638,260	1,474,142,311	(280,504,052)	123%
Depreciation and amortization expense				-	-	0%
Transfer to other Government Entities	-	-	-	-	-	0%
Other Transfers/Subsidies/Grants	-	-	-	-	-	0%
Certified Works	-			-	-	0%
Total Payments	2,626,000,000	(1,385,861,740)	1,240,138,260	1,520,603,541	(280,465,281)	123%
Surplus or Deficit	-	-	-	7,953,213	(7,953,213)	

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

12. Notes to the Financial Statements

1. General Information

Athi Water Works Development Agency is established by and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Nairobi County, Kiambu County and Muranga County.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

Guiding note during the transition period:

The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS), or the entity has taken advantage of the transitional provisions under IPSAS 33, and therefore these 1st/ 2nd/ 3rd/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognized as the entity has taken advantage of the transition provisions outlined in IPSAS 33. (entity to state the transitional provisions it has applied and the steps being towards full compliance with IPSAS Accrual).

These financial statements were authorized for issue by the accounting officer on 22nd August 2025.

3. Adoption of New and Revised Standards

i) ***New and amended standards and interpretations in issue effective in the year ended 30 June 2025.***

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II has leases and hence will not be affected by adoption of this standard.</i></p>
IPSAS 44: Non-Current Assets Held for Sale and	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

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

Annual Report and Financial Statements for the financial year ended June 30, 2025

Standard	Effective date and impact:
Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>Assets developed under the Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II are not for sale but are meant for service delivery to the citizenry hence will not be affected by adoption of this standard.</p>
IPSAS 45- Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p>The principal objective of Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II is to develop water and waste water infrastructure and all the assets are recognized on cost.</p>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p>The Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II has reported all the assets on cost as the basis of measurement.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

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

Annual Report and Financial Statements for the financial year ended June 30, 2025

Standard	Effective date and impact:
<p>IPSAS 47- Revenue</p>	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II will be affected by adoption of this standard since it is majorly financed by loan and support from the GoK. The uncertainty of government transfers affects the recognition of expenses funded by the same.</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II will be affected by adoption of this standard since it is majorly financed by loan and support from the GoK. The uncertainty of government transfers affects the recognition of expenses funded by the same.</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The project is managed by AWWDA's staff, it does not handle retirement benefits hence the adoption of this standard has not effect.</i></p>

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the Board on 26th January 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of 27th August 2024 on the FY 2024/2025 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 6 under the Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025 of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The project did not have any assets held on leasehold basis.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the financial statements

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Notes to the financial statements

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

i) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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.

Contingent assets

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

j) Nature and purpose of reserves

The project did not have any reserves during the 2024/2025FY.

k) Changes in accounting policies and estimates

The *Entity* recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the financial statements

l) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation. The project has no retirement plan because all the project staff are employees of both the implementing and beneficiary Agencies.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

The *Entity* regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

Notes to the financial statements

p) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) 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.

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the *Entity*.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The project did not have any provisions in the year.

Notes to the financial statements

6. Revenue Transfers

Description	2024/2025 Kshs
Unconditional Transfers	
GoK Counter Part funding	94,849,845
Transfers from Development partners	1,358,275,898
<i>Other unconditional transfers (Specify)</i>	-
Total Unconditional Transfers (a)	1,453,125,743
Conditional Transfers	
AfDB Training funds	
Transfers from Development partner 2	
<i>Other conditional transfers (specify)</i>	-
Total Conditional Transfers (b)	-
Total Transfers for the Year (a + b)	1,453,125,743

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund
	Kshs	Kshs	Kshs
GOK Funding	94,849,845	-	-
Loan transfers from AfDB	1,358,275,898	-	-
Development Partner 2	-	-	-
Subtotal			
Deferred Income realized	-	-	-
Transfers in Kind	-	-	-
Total	1,453,125,743	-	-

Notes to the financial statements

7. Miscellaneous revenue

Description	FY 2024/25
	Kshs
Interest Income	359,133
<i>Proceeds of performance bond encashment</i>	6,367,247
Total	6,726,381

8. Employees Costs

The project is managed by full time employees of the implementing and beneficiary Agencies who do not draw any salaries from the project resources

9. Use of Goods and Services

De scription	FY 2024/25
	Kshs
Utilities, supplies and services	-
Bank charges	286,740
Communication, supplies and services	-
Domestic travel and subsistence	609,420
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	-
Office rent	-
Training payments	43,640,709
Hospitality supplies and services	50,345
Insurance costs	-
Specialized materials and services	266,312
Wayleave and land compensation	1,607,704
Total	46,461,229

10. Depreciation and Amortization expense

The project did not have any depreciation and amortization expense

11. Transfer to Other Government Entities

The project did not make any transfers to other government agencies

12. Other Transfers/Subsidies/Grants

The project did not have any other transfers during the year

Notes to the financial statements

13. Certified Works

The project did not have certified works to be expensed in the year.

14. Gain/Loss on Sale of Assets

There were no project asset disposals during the year hence no gain or loss for the year.

15. Gain/Loss on foreign exchange transactions

The project did not have gain or loss on foreign exchange

16. Impairment Loss

The project did not have impairment loss in the year

17. Cash and Cash Equivalents

Description	2024/2025	1 st July
	Kshs	Kshs
Cash in Bank	7,953,213	45,071,879
Cash on hand	-	-
Others (Specify)	-	-
Total Cash and Cash Equivalents	7,953,213	45,071,879

Project Bank Accounts

Details	2024/2025	1 st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
N/A	-	-
Total Foreign Currency balances	=	=
Local Currency Accounts		
NCBA (A/C No. 1386190016)	7,953,213	45,071,879
Total local currency balances	<u>7,953,213</u>	<u>45,071,879</u>
Total bank account balances	<u>7,953,213</u>	<u>45,071,879</u>

Notes to the Financial Statements (Continued)

18. Receivables

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Counter Part Funding	-	30,000,000
Contractor's Advance payments	1,947,746	441,858,797
Other Receivables (receivables from performance guarantee recall)	6,367,247	-
Total Receivables	8,314,993	471,858,797

Ageing analysis for Receivables

Description	2024/2025		1 st July 2024
	Kshs		Kshs
	2024/2025	% of the total	2023/24
Less than 1 year	-	%	30,000,000
Between 1- 2 years	8,314,993	100%	3,347,938
Between 2-3 years	-	%	438,510,859
Over 3 years	-	%	-
Total (a+b)	8,314,993	100%	471,858,797

19. Inventories

The project did not have any inventories in the year

20. Prepayments

The project did not have any prepayments in the year

Notes to the financial statements

21. Property, Plant and Equipment

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets Plant and Machinery	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	25%	10%	331/3%	10%		
As At 1 July 2024 (opening balances)		-	-	-	5,364,388,801	5,364,388,801
Additions	-	-	-	-	1,256,680,801	1,256,680,801
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	(92,187,284)	(92,187,284)
Adjustments-change in Advance					439,911,051	439,911,051
Adjustments-change in Retention					149,532,915	149,532,915
As at 30 th June 2025	-	-	-	-	7,118,326,283	7,118,326,283
Depreciation And Impairment						
As at 1 July 2024	0	0	0	0	0	0
Depreciation charge for the year					-	0
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As At 30 th June 2025	0	0	0	0	0	0
Net Book Values						
As at 1 st July 2024	-	-	-	-	5,364,388,801	5,364,388,801
As at 30 th June 2025	-	-	-	-	7,118,326,283	7,118,326,283

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Notes to the financial statements

22. Intangible Assets

The project did not have intangible assets

23. Trade and Other Payables

Description	2024/2025		1 st July 2024
	Kshs		Kshs
Trade payables	650,958,690		868,420,202
Employee payables	-		-
<i>Other payables (unearned loan revenue)</i>			-
Total trade and other payables	650,958,690		868,420,202
Ageing analysis: (Trade and other payables)	2024/2025	% of the Total	2023/2024
Under one year	368,011,605	57%	868,420,202
1-2 years	247,920,491	38%	-
2-3 years	35,026,594	5%	-
Over 3 years	-	%	-
Total (tie to above total)	650,958,690	100%	868,420,202

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24. Third-Party Deposits

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	529,405,734		379,872,819	
Gratuity	-		-	
Other deposits (specify)	-		-	
Total deposits	529,405,734		379,872,819	
Ageing analysis: (Refundable deposits)	2024/2025	% of the Total	2023/2024	% of the Total
Under one year	149,532,915	28%	-	%
1-2 years		%	379,872,819	100%
2-3 years	379,872,819	72%	-	%
Over 3 years	-	%	-	%
Total	529,405,734	100%	379,872,819	100%

(Provide brief explanation)

25. Deferred Income

The project did not have deferred income during the year

26. Cash Receipts for GoK Revenue Transfers

Description	2024/2025
	Kshs
Transfers from GoK-counterpart for the year	94,849,845
Add: opening GoK receivable received in the year	30,000,000
Cash receipts for GoK counterpart	124,849,845

27. Cash Receipts for Miscellaneous income

Description	2024/2025
	Kshs
Miscellaneous income earned	6,726,381
Less: Receivables for performance guarantee recall	(6,367,247)
Cash receipts for GoK counterpart	359,133

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28. Cash payments for Acquisition of non-financial assets

Description	2024/2025
	Kshs
VAT payments for Civil Works	(106,131,363)
VAT payments for consultancy services	(9,735,050)
Cash payments for asset acquisition	(115,866,414)

29. Cash receipts for AfDB Loan transfers

The financial year closed before all the cash loan receipts from AfDB could be transferred to the project account.

30. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	1,413,390,894
Adjusted for:	
Depreciation	-
Non-cash grants received	(1,358,275,898)
Non-cash expenses	
Impairment	
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase in inventory	-
Decrease in receivables	23,632,753
Increase in deferred income	
Increase in payables	
Increase in third party deposits	
Increase in payments received in advance	
Net cash flow from operating activities	78,747,749

31. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule, which shows the flow of funds voted in the year. These funds have been reported as loans received in the year under the Statement of Receipts and Payments.

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Special Deposit Accounts Movement Schedule

Description	2024/2025	1 st July 2024
	Kshs	Kshs
(i) A/C Name ADB: Nairobi Rivers Basin Program: Sewerage Improvement Project Phase II [A/c No1000504161]		
Opening balance	-	2,410
Total amount deposited in the account	15,582,533	41,787,844
Total amount withdrawn	-	41,790,254
Closing balance (as per SDA bank account reconciliation attached)	15,582,533	-

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Annex III support these closing balance.)

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Notes to the financial statements

32. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

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Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

Description	2024/205
	Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to govt agencies	0
Rent income from govt. Agencies	0
Others (specify) e.g. interest and bank charges	
Total	0
B) purchases from related parties	
Purchases of electricity from KPLC	0
Purchase of water from govt service providers	0
Rent expenses paid to govt agencies	0
Others - Training fees paid to KSG	4,379,849
Others - Training fees paid to KEWI	8,045,255
Total	12,425,104
b) Grants /transfers from the government	
Grants from national govt	94,849,845
Grants from county government	
Donations in kind	
Total	94,849,845
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for xxx employees	0
Payments for goods and services for xxx	
Total	0
d) Key management compensation	
Directors' emoluments	0
Compensation to key management	0
Total	107,274,949

***Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement
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Notes to the financial statements

33. Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

34. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Water, Sanitation and Irrigation. Its ultimate parent is the Government of Kenya.

35. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1.	Long Outstanding Pending Accounts Payables			
	Note 18 on other important disclosures reflects pending accounts payable balance of Kshs.866,317,400 carried forward for financial year ending 30 June, 2024. The amount includes payables totaling Kshs.171,351,830.39 brought forward from prior years. Failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provision of the subsequent year as they should form a first charge.	The unpaid opening pending bills related to VAT due to contractors and consultants. As such, they could only form first charge to the GoK counterpart which was not sufficient to cover all the opening VAT pending bills. AWWDA has been making follow-ups with the National Treasury through the Ministry of Water, Sanitation and Irrigation for sufficient GoK allocation and timely release of the same to avoid further accumulation of the VAT related pending bills. Given that the project is coming to a close it is expected that the Ministry and National Treasury will prioritize GoK counterpart to clear the VAT pending bills	Not resolved	Dec-25
2.	Delayed Disbursement of Government Counter Funding			
	The statement of receipts and payments reflects a loan amount from the African Development Bank of Kshs.1,489,022,177 and Kshs.25,000,000 as counterpart funding from the Government of Kenya. The total cumulative counterpart funding from the Government of Kenya as at 30 June, 2024 stood at Kshs.421,363,774. This represents 43% of the total counterpart financing projection of Kshs.926,396,782 as evidenced in paragraph 2.7 on funding summary of the financial statements. The expected closing date of the project is set on December 2025; it is doubtful that the counterpart financing balance of Kshs.505,033,008 representing 57% will be disbursed to the project activities before closure date.	We acknowledge the insufficiency of the GoK counterpart funding for the project and confirm that we have on annual basis been following up for sufficient allocations	This matter is still unresolved. The project has currently received up to 49% of the total budget commitment.	Dec-25
	Other Matter			
	Unpaid Value Added Tax			
	The financial statements under Note 18 makes disclosure of pending accounts payables balance of Kshs.866,317,400. A schedule of the payable provided for audit review revealed pending accounts payables in	Insufficient GoK allocation for VAT payment has affected the contractor's and consultant's cashflow which in turn affects the progress of works. Aware of that fact, AWWDA has been	Unresolved	Dec-25

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	respect to unpaid VAT amounting to Kshs. 399,165,508.10. This amount is payable to the contractor by GoK. The Athi Water Works Development Agency has not been able honor the payment and this has led to delay in various projects because of cashflow challenges	making follow-ups with the National Treasury through the line Ministry for sufficient allocation.		
	Other Information			
1. 1.1	<p>Delays and Unsatisfactory Progress in Projects Completion</p> <p>Construction Of Dandora Estate Waste Water Treatment Plant Rehabilitation and Duplication Plant Inlet Works</p> <p>The contract for Construction of Dandora Estate waste water treatment plant rehabilitation and duplication plant inlet works were awarded at a contract sum of Kshs.1,531,934,111.57. The commencement date for the works was to be 21 February, 2023 and were envisaged to be complete on 21 August, 2024. The following was noted in respected to implementation of the works:</p> <p>a) Slow Progress of Works on Desilting and Desludging of Ponds</p> <p>A site visit at Ruai revealed works on desludging of ponds and desilting of the 3.7km of the trunk sewer were yet to start. The works delayed due to reasons of pending approvals of the methodology and machinery to be used and handling of the sludge material. Delay in the works is likely to cause the implementing agency to extend the project completion date.</p> <p>b) Vandalism</p> <p>It was also observed that a section of the perimeter wall was vandalized by the community hence encroaching the project. This will escalate the project cost since the contractor will be required to redo the vandalized walls.</p> <p>c) Diversion of funds</p> <p>Review of payment documents in respect of the expenditure revealed that on 7 August, 2023, the implementing agency instructed Consultants for the project to make payments amounting to Kshs.507,084.73 for supply and installation of a sliding gate at the Athi Water Works Plaza. This expenditure is not part of the Dandora Estate water treatment plant scope of works and was charged to the item of expenditure on Dandora Estate waste water treatment plant irregularly.</p>	<p>a) Both the desludging and desilting methodologies were approved by AfDB and the desludging completed. The contractor is in the process of importing the desilting equipment as per the approved in the methodology. We can confirm that the works will be completed within the project completion date.</p> <p>c) The cost of gates was approved under the project addendum. at the headquarters was costed in the approved addendum</p>	Resolved	
			Resolved	

Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1.2	<p>Lot 2 - Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers- Contract No. AWWDA/NARSIP II/W-02/2020</p> <p>The Agency entered into a contract on 3 February, 2021 for construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari reticulation Sewers at a contract price of Kshs.2, 154,077,997.67 (inclusive of VAT). The completion date was 14 September, 2022. The contract was however extended through Extension of Time No.1-Addendum No. 1to 29 September, 2023 and later extended through Extension of Time No. 2 to 11 July, 2024. Records show the contractor was further granted extension of time for a period of 158 days to complete outstanding contract deliverables and ensure targets are met at no additional costs to the employer. This revised the contract completion date from 11 July, 2024 to 16 December, 2024.</p> <p>Project verification done in October, 2024, revealed the project works were at 89% completion. The contract had utilized 39.5 months or 98.7% of the contract period. The project works are incomplete as some work components such as Kamiti Prison, Ruiru WWTP, 4,519 Household connections and Githurai 45 manholes construction are still pending. In monthly and quarterly progress reports for the year, the contractor was accused for delay in execution of works and showed no commitment to set deadlines. No action was however taken by management to sanction the contractor as per the terms of the contract.</p> <p>In the circumstances the management was in breach of contract provision/agreement</p>	<p>Management meetings were held and timelines set which fast tracked the works which are now substantially complete</p>	The matter is resolved	
1.3	<p>Construction of Mwiki & Clay works Reticulation sewers</p> <p>The contract was signed on 19 March, 2021 at a contract sum of Kshs.1,794, 140,605.68 (inclusive of VAT). The original completion date was 21 October, 2022 which was later extended to 22 December, 2023 and again extended to 23 August, 2024. Project verification done in October, 2024, revealed the Project works were at 89% completion. The works were behind schedule by two (2) months.</p>		The matter is partially resolved	Dec-25

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
	It is unclear when the project will be completed as some work components such as Theta River Trunk Sewer, construction of 4,000 Nr. Household sewer connections, Drilling and equipping of 10Nr. Boreholes, Construction of 10Nr. 24m3 elevated water tank and reticulation, Construction of 10Nr. standard water: kiosk as per WASREB standards complete with plumbing and 3 Nr. water drawing points, Construction of 2Nr. sludge disposal facilities and ancillary each point including Administration Building, Staff Houses (2Nr. one-bedroom houses), Ablution Block and Gate House. Embakasi North Sewers Administration building, Sludge disposal and Dandora Dumpsite TS are still pending. In the circumstances the management was in breach of contract provision/agreement	The contractor has drilled and completed 7No. Boholes, 7 No. 24m3 elevated tanks, 7 no water kiosks. The Agency has already identified as iste for 1No. Sludge disposal point and has been handed over to the contractor for construction. The Agency is working closely with the County Government of Nairobi and NCWSC to identify suitable sites for the remaining 3No. boreholes and the 1No. Sludge disposal facility. In order to allow adequate time for completion of these remaining components the contract completion has been extended to 25 November 2025.		
1.4	Variation of Contract Sum Due to Proposed Sewer Line Passing Through a Forest Reserve for Lot 4: Construction of East and West of Nairobi Reticulation Sewers The contract for Lot 4 - Construction of East and West of Nairobi Reticulation Sewers was agreed at a sum of Kshs.1,278,465,431.18 with commencement date of 3 September, 2021 and completion date of 3 March, 2023. The projection completion date was later extended to 3 December, 2023, a second extension was granted to 3 March, 2024 while a third extension was granted to 3 December,2024. Records show Athi Water Works Agency undertook an environmental impact assessment of the project as part of the preliminary requirements before implementation of the project. However, project implementation could not proceed as planned following objection by community environment activists that the proposed sewer line project was passing through a forest reserve. The Bank advised during supervision mission that an alternative route be considered away from the forest. Additional costs incurred due to the change of route of the sewer line amounted to Kshs.133,407,255.80 after the original cost of the project of Kshs.1,278,465,431.18 was revised to a contract sum of Kshs.1,411,872,686.98.	Having faced difficulties in doing the sewers through the forest, it was important for the Agency to identify an alternative route to ensure that the sewers from Karen and the surrounding areas are safely conveyed to the sewer treatment plant.	The matter is resolved	
1.5	Payment of Kenya Forest Service (KFS for special User License		The matter is resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
			(Resolved / Not Resolved)	
	The Agency paid Kshs.12,405,379.67 to Kenya Forest Service (KFS) in IPC 8 for a special User License to allow the passage of the 8.78km Motoine Trunk sewer line through Ngong forest. The license was granted but due to complaints from stakeholder's, works were halted and alternative routes proposed to African Development Bank for approval. The Agency has not claimed for refund of the amount of Kshs.12,405,379.67.	The Agency has since claimed the refund which is still under consideration by KFS.		
1.6	<p>Failure to Make Claim for Refundable Deposit for Micro-Tunneling of Road</p> <p>The Agency deposited refundable deposit with KeNHA of Kshs.480,000 for micro tunneling across Kangundo road. The said amount has not been claimed and evidence of refund was not provided during the audit. In addition, the Agency also approved payment of Kshs.560,000 to be paid to KeNHA to undertake works across southern By pass and Kangundo road. The amount was refundable 30 days after completion and reinstatement of the works. The Kangundo road works were completed but the Agency has not claimed the amount of Kshs.560,000.</p>	The refund of deposit is payable within 30 days after a joint inspection and acceptance by AWWDA and the relevant road agency. AWWDA is following up with the KeNHA to carry out the necessary inspections after completion and reinstatement to facilitate the request for refund of the deposits.	The refund request will be done after finalization of the joint inspection	Dec-25



Name: Eng. Joseph Kamau
 Chief Executive Officer



Name: Eng. Bonnie Nyandwaro
 Project Manager

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Annex 2: Reconciliation of inter-entity transfers

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Revenue	Kshs	Kshs	Kshs		
Revenue transfers-GoK Counterpart	108,340,000	124,849,845	(16,509,845)	115%	The revenue receipts includes Kshs 30 million which was a receivable as at 1/7/2025
Revenue transfers-Loan revenue	1,080,000,000	1,358,275,898	(278,275,898)	126%	The receipts includes loan receipts for opening creditors amounting to Kshs 467,151,892.45
Miscellaneous Revenue	6,726,381	359,133	6,367,248	5%	The variance relates to proceeds from performance guarantee recall whose cash was received on 4/7/2025
Fund balance B/F	45,071,879	45,071,879	0	100%	Within budget
Total Revenue	1,240,138,260	1,528,556,754	(288,418,495)	123%	
Payments					
Employee costs	-	-	-	0%	
Use of goods and services	46,500,000	46,461,229	38,771	100%	Within budget
Aquisition on non-financial assets	1,193,638,260	1,474,142,311	(280,504,052)	123%	The variance is caused by the fact that actual disbursements are inclusive of opening creditors amounting to Kshs.737,610,249.77 and also the non-receipt of GoK counterpart for land acquisition
Depreciation and amortization expense	-	-	-	0%	
Transfer to other Government Entities	-	-	-	0%	
Other Transfers/Subsidies/Grants	-	-	-	0%	
Certified Works	-	-	-	0%	
Total Payments	1,240,138,260	1,520,603,541	(280,465,281)	123%	
Surplus or Deficit	-	7,953,213	(7,953,213)		

Annex 3: Reconciliation of inter-entity transfers

Project Name:		Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II	
Break down of transfers from the State Department of Water and Sanitation			
a. Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	12-Jul-24	30,000,000	2023/2024
	17-Oct-24	16,666,666	2024/2025
	9-Dec-24	8,333,333	2024/2025
	21-Jan-25	8,333,333	2024/2025
	Total	63,333,332	
B. Direct payments			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	Various	906,706,538	2024/2025
	Various	192,222,277	2025/2026
	Total	1,098,928,815	
C. Others			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	Total		
	Total (A+B+C)	1,162,262,147	

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

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Annex 3: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2025
- ii. Board of Survey Report
- iii. Special Deposit Account(s) reconciliation statement(s)