

45



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT  
THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 18 FEB 2021

DAY:  
Thursday

PARLIAMENT  
OF KENYA  
LIBRARY

TABLED BY: OF L. O. M  
CLERK-AT THE TABLE: P. Muiga

THE AUDITOR-GENERAL

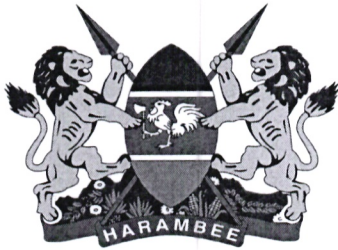
ON

**WATER SECTOR DEVELOPMENT  
PROGRAMME OF KISII AND NYAMIRA  
WATER SUPPLY AND SANITATION PROJECT  
(GRANT NO. ORIO11/KE/21)**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

**LAKE VICTORIA SOUTH WATER WORKS  
DEVELOPMENT AGENCY**





**Project Name KISII AND NYAMIRA WATER SUPPLY AND SANITATION PROJECT  
(BUNYUNYU DAM)**

**Implementing Entity: LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY  
PROJECT CREDIT NUMBER ORIO11/KE/21**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

---

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



10  
7  
r

○

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

---

**CONTENTS**  
**PAGE**

1.	PROJECT INFORMATION AND OVERALL PERFORMANCE .....	1
2.	STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES .....	4
3.	STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020 .....	5
4.	STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020 .....	6
5.	STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020 .....	7
6.	STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS .....	8
7.	NOTES TO THE FINANCIAL STATEMENTS.....	9
9.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	16
10.	ANNEXES.....	17

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

---

## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** The project's official name is Kisii and Nyamira Water Supply and Sanitation Project

**Objective:** The key objective of the project is,

1. Water security. Adequate clean water supply to 576,000 people in Kisii town, Nyamira town and Bonyunyu area residents
2. Sanitation and Health. Adequate sanitation to 150,000 people in Kisii and Nyamira town.
3. Economic Empowerment. Over 1000 jobs are expected to be created directly and 10,000 indirectly

**Address:** The project headquarters office is in Kisumu city, Kisumu County, Kenya.  
The address of its registered office is:  
Lake Victoria South Water Works Development Agency  
P. O Box 3325-40100 Kisumu

**Contacts:** The following are the project contacts

Telephone: (254) 57 2025127

E-mail: [info@lvswaterboard.go.ke](mailto:info@lvswaterboard.go.ke)

Website: [www.lvswaterboard.go.ke](http://www.lvswaterboard.go.ke)

### 1.2 Project Information

Project Start Date:	The Program start date is 18/02/2014
Project End Date:	The Program end date is 28/09/2023.
Project Manager:	The Program Manager is the CEO
Project Sponsor:	The Program sponsor/Development Partner is RVO of Netherlands & Government of Kenya

### 1.3 Project Overview

Line Ministry/State Department of the project	The Program is under the supervision of the Ministry of Water and Sanitation and Irrigation.
Program number	ORIO11/KE/21

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

Strategic goals of the Program	(i) To provide water, sanitation and health, electricity generation and economic empowerment
Achievement of strategic goals	The Project management aims to achieve the goals through the following means: (i) Establish affordable & self-sustaining water supply & waste utilities from Kisii & Nyamira town. (ii) Attract investments in water & sanitation dependent industries.eg hospitality. (iii) Increase the development of fisheries through use of the reservoir for fishing.
Other important background information of the Program	The project aims at providing sufficient, hygiene, economically viable and affordable water to 485,000 people'
Current situation that the project was formed to intervene	The Program was formed to intervene in the following areas: (i) To provide water, health and sanitation and economic empowerment (ii) To provide electricity generations and sustainable county water utility.
Program duration	The project started on 18th February 2014 and is expected to run until 28/09/2023

#### 1.4 Bankers

The RVO Netherlands financier is the bankers for the current year.

#### 1.5 Auditors

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

#### 1.6 Roles and Responsibilities

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

Names	Title designation	Responsibilities
Eng. George Odedeh	Ag. Chief Executive Officer	Overall responsibility for the organisation
Paul O. Agwanda	Project Coordinator	Supervisory responsibility for the project
Kelvins Otieno	Accountant	Responsible for all the accounting

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

		functions for the project.
Diana Adhiambo	Community Development Officer	Responsible for all the matters touching on the community on the project areas

### 1.7 Funding summary

The Project is for duration is from 2014 to 2023 with an approved budget of 551,475 euros equivalent to Kshs 66 Million. Gok was to contribute fifty percent of the developmental cost of the projects, any other incidental costs considered to be necessary but not considered as the government's contribution to the funding part of the funding as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received to date (30.06.2020)		Undrawn balance to date (30.06.2020)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>	EUR		EUR		EUR	
Orio	275,738	33,051,501	265,738	24,648,912	10,000	1,198,656
<b>(ii) Counterpart funds</b>						
Government of Kenya	275,738	33,051,501	633,090	75,885,744	0	0
<b>Total</b>	<b>551,476</b>	<b>66,103,002</b>	<b>898,828</b>	<b>100,534,656</b>	<b>10,000</b>	<b>1,198,656</b>

Note: Exchange rate 1 Euro = Ksh 119.8656

### 1.8 Summary of Overall Project Performance:

- The project is under feasibility study and no works has started
- The development phase which includes hydrogeological studies, topographical survey have been done. The resettlement action plan is under development.

### 1.9 Summary of Project Compliance:

- There are no non-compliance issues with applicable laws and regulations, and essential external financing agreements/covenants that are in the project.

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

---

**2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive officer for the Lake Victoria South Water Works Development Agency (LVSWWDA) and the Project Coordinator for Kisii and Nyamira Water Supply and Sanitation Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2020. This responsibility includes:

- (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Project;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

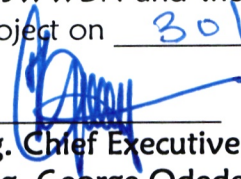
The Chief Executive officer for the LVSWWDA and the Project Engineer for Kisii and Nyamira Water Supply and Sanitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

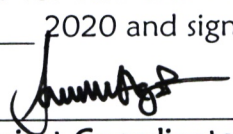
The Chief Executive officer for the LVSWWDA and the Project Coordinator for Kisii and Nyamira Water Supply and Sanitation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2020, and of the Project's financial position as at that date. The Chief Executive officer for the LVSWWDA and the Project Coordinator for Kisii and Nyamira Water Supply and Sanitation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Chief Executive officer for the LVSWWDA and the Project Coordinator for Kisii and Nyamira Water Supply and Sanitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year 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 Chief Executive officer for the LVSWWDA and the Project Engineer for Kisii and Nyamira Water Supply and Sanitation Project on 30/09/2020 and signed by them.

  
Ag. Chief Executive Officer  
Eng. George Odedeh

  
Project Coordinator  
Paul O. Agwanda

  
Project Accountant:  
Kelvins Otieno  
ICPAK MNo: 9939

# REPUBLIC OF KENYA

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



*Enhancing Accountability*

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

## **REPORT OF THE AUDITOR-GENERAL ON WATER SECTOR DEVELOPMENT PROGRAMME OF KISII AND NYAMIRA WATER SUPPLY AND SANITATION PROJECT (GRANT NO. ORIO11/KE/21) FOR THE YEAR ENDED 30 JUNE, 2020 – LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

---

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Water Sector Development Programme of Kisii and Nyamira Water Supply and Sanitation Project set out on pages 5 to 17, which comprise the statement of financial assets as at 30 June, 2020 and the statement of receipts and payments, statement of cash flow 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 and Credit Agreement No. ORIO11/KE/21 dated 3 February, 2014 between the Government of Kenya and the Government of Netherlands. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Water Sector Development Programme of Kisii and Nyamira Water Supply and Sanitation Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard(Cash Basis) and comply with the Grant Agreement.

#### **Basis for Qualified Opinion**

##### **1. Inaccuracies in the Financial Statements**

###### **1.0 Statement of Receipts and Payments**

The statement of receipts and payments reflects cumulative payments totalling Kshs.100,534,656 whereas the funding summary reflected in Note 1.7 to the financial statements reflects payments totalling Kshs.107,738,558. The difference amounting to Kshs.7,203,902 between the two statements has not been explained.

As a result, the accuracy and completeness of the cumulative payments totalling Kshs.100,534,656 reflected in the statement of receipts and payments for the year under review has not been confirmed.

## **2.0 Presentation of the Financial Statements**

The statement of cash flow is labeled 'for the period 30 June, 2020', instead of 'for the year ended 30 June, 2020' in line with the operations of the Project reported on and requirements of the International Public Sector Accounting Standards(IPSAS).

Consequently, the presentation of the financial statements does not conform to IPSAS.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Water Sector Development Programme of Kisii and Nyamira Water Supply and Sanitation Project in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Qualified Opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

### **Other Matter**

#### **Budgetary Control and Performance – Under Utilization of Funds**

The statement of comparative and actual amounts reflects a final budget amounting to Kshs.22,000,000 under purchase of services and project management costs while actual expenditure amounted to Kshs.5,809,848 resulting in under-expenditure of Kshs.16,190,152 equivalent to 74% of the budget for the year. As a result, a significant portion of outputs targeted under the item were not attained.

No plausible explanation has been provided by Management for the underperformance.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections 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. Absence of Project Cash Book and Bank Account**

During the year under review the Management did not maintain a cashbook and a separate bank account for the Project as required of them by Clause 11 of the Grant Agreement. Instead, receipts and payments in respect to the Project were recorded and accounted for in the main cashbook and bank account of the implementing entity contrary to Section 68(2) of the Public Finance Management Act, 2012 which requires Accounting Officers to maintain proper financial and accounting records.

Consequently, Management is in breach of the law on management of Public Funds.

### **2. Delay in Implementation of Bunyunyu Dam Water Supply Project**

A feasibility study report submitted to Infrastructure Development Facility(ORIO) on 29 October, 2018, indicated that the cost of the proposed Bunyunyu Dam Water Project increased to Euro.90,000,000 equivalent to Kshs.11.9 billion from its original cost estimated at Euro.551,475,000 equivalent to Kshs.66 billion. The increased cost resulted from change in the project's scope, mainly caused by addition of works in Nyamira County, and the estimated increase in price indices between 2011 to 2019. After the original financier declined to fund the additional costs, identification of a new financier commenced in February, 2019. However, Management has not confirmed whether this was successful. Expenditure records indicated that the Project had as at 30 June, 2020 spent Kshs.86,344,504 on feasibility studies.

The failure of the Project to translate from the development to the implementation stage has put it at risk of failure that could see its objectives not being attained.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, except for the matters described in the Basis for Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

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

## **Responsibilities of Management and Those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**05 January, 2021**

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

**3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020**

	Note	2019-2020		2018-2019		Cum. to-date
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>RECEIPTS</b>						
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	Cummulative Payments to date
Transfer from Government entities	8.3	20,000,000	0	28,992,438	0	75,885,744
Grant from external development partners	8.4				21,493,312	24,648,912
<b>Total receipts</b>		<b>20,000,000</b>	<b>0</b>	<b>28,992,438</b>	<b>21,493,312</b>	<b>100,534,656</b>
<b>PAYMENTS</b>						
Purchase of services	8.7	0	0	21,493,312	21,493,312	49,297,823
Project Management Cost	8.8	5,809,848	0	7,499,126		37,046,681
<b>TOTAL PAYMENTS</b>		<b>5,809,848</b>	<b>0</b>	<b>28,992,438</b>	<b>21,493,312</b>	<b>86,344,504</b>
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>14,190,152</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,190,152</b>

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



Eng. George Odedeh  
 Ag. Chief Executive Officer



Paul O. Agwanda  
 Project Coordinator



Kelvins Otieno  
 Project Accountant  
 ICPAK MNo: 9939

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**


**4. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020**

		2020	2019
<b>FINANCIAL ASSETS</b>		Ksh	Ksh
<b>Cash and Cash Equivalents</b>			
Fund Balance	8.2	14,190,152	0
<b>TOTAL FINANCIAL ASSETS</b>		<b>14,190,152</b>	<b>0</b>
<b>REPRESENTED BY:</b>			
Surplus/(Deficit) for the year Gok		14,190,152	0
Surplus/(Deficit) for the year Donor		0	0
<b>NET FINANCIAL POSITION</b>		<b>14,190,152</b>	<b>0</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/6/20 2020 and signed by:

  
 Eng. George Odedeh  
 Ag. Chief Executive  
 Officer

  
 Paul O. Agwanda  
 Project Coordinator

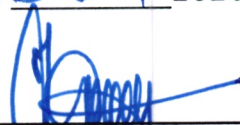
  
 Kelvins Otieno  
 Project Accountant  
 ICPAK MNo: 9939

**Kisii and Nyamira Water Supply and Sanitation Project  
Reports and Financial Statements for the financial year ended June 30, 2020**


**5. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020**

CASHFLOWS FROM OPERATING ACTIVITIES	Notes	2020	2019
Receipts for operating income		Kshs.	Kshs.
i) Transfer from Government entities	8.3	20,000,000	13,992,438
<b>Payments for operating expenses</b>			
Purchase of services			
Project Management Cost	8.8	(5,809,848)	-7,499,126
<b>Net cash flow from operating activities</b>		<b>14,190,152</b>	<b>6,493,312</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Non-Financial Assets-Services	8.9	0	-42,986,623
<b>Net cash flows from Investing Activities</b>		<b>0</b>	<b>-42,986,623</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Grant from external development partners	8.4	0	21,493,312
ii) Development Grants by LVSWSB	8.3		15,000,000
<b>Net cash flow from financing activities</b>		<b>0</b>	<b>36,493,312</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>14,190,152</b>	<b>0</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalent at END of the year</b>		<b>14,190,153</b>	<b>0</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/06/20 2020 and signed by:

  
 Eng. George Odedeh  
 Ag. Chief Executive Officer

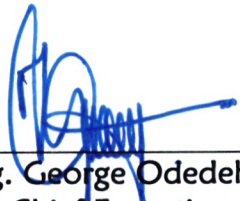
  
 Paul O. Agwanda  
 Project Coordinator

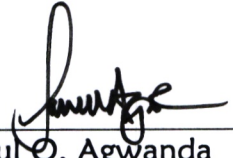
  
 Kelvins Otieno  
 Project Accountant  
 ICPAK MNo: 9939


**Kisii and Nyamira Water Supply and Sanitation Project  
Reports and Financial Statements for the financial year ended June 30, 2020**

**6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Variance
	a	b	c=a+b	d	e=d-c	f=e/c %
<b>RECEIPTS</b>						
Transfer from Government	20,000,000	0	20,000,000	20,000,000	0	0%
Proceeds from borrowings	50,000,000	(48,000,000)	2,000,000	0	-2,000,000	0%
<b>Total Receipts</b>	<b>70,000,000</b>	<b>(48,000,000)</b>	<b>22,000,000</b>	<b>20,000,000</b>	<b>-2,000,000</b>	<b>-9%</b>
<b>PAYMENTS</b>						
Purchase of services & Project Management Costs	70,000,000	(48,000,000)	22,000,000	5,809,848	-16,190,152	-74%
<b>Total Payments</b>	<b>70,000,000</b>	<b>(48,000,000)</b>	<b>22,000,000</b>	<b>5,809,848</b>	<b>-16,190,152</b>	<b>-74%</b>

  
\_\_\_\_\_  
Eng. George Odedeh  
Ag. Chief Executive Officer

  
\_\_\_\_\_  
Paul O. Agwanda  
Project Coordinator

  
\_\_\_\_\_  
Kelvins Otieno  
Project Accountant  
ICPAK MNo: 9939

## **7. NOTES TO THE FINANCIAL STATEMENTS**

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

### **8.1. Basis of Preparation**

#### **8.1.1. Statement of compliance and basis of preparation**

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

The accounting policies adopted have been consistently applied to all the years presented.

#### **8.1.2. Reporting entity**

The financial statements are for Water Sector Development Programme under the Ministry of Water and Sanitation Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### **8.1.3. Reporting currency**

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

### **8.2. Significant Accounting Policies**

#### **a) Recognition of receipts**

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

##### **• Transfers from the Exchequer**

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

##### **• External Assistance**

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

## SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Donations and grants

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

### Proceeds from borrowing

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

### Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

- **Other receipts**

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

### **b) Recognition of payments**

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

- **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid. There was no compensation to employees in the year under review.

- **Use of goods and services**

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

- **Interest on borrowing**

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

### **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Repayment of borrowing (principal amount)**

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

- **Acquisition of fixed assets**

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

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

**c) In-kind donations**

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

**d) Cash and cash equivalents**

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

**Restriction on cash**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Accounts receivable**

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

**f) Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made. Under this project there were no pending Bills during the financial year .

**g) Budget**

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year there was no disbursements received in form of direct payments from third parties.

**i) Exchange rate differences**

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

**j) Comparative figures**

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

**k) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2020.

**l) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.2. PROJECT FUNDS**

Details	FY 2019/20		FY 2018/19	
	Receipts made by the Entity in Cash	Payments made by third parties	Payments made by the Entity in Cash	Payments made by third parties
			KShs	KShs
Development account	14,190,152	0	0	0
<b>Total</b>	<b>14,190,152</b>	<b>0</b>	<b>0</b>	<b>0</b>

**8.3. RECEIPTS FROM GOVERNMENT OF KENYA**

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

Details	FY 2019/20		FY 2018/19	
	Receipts made by the Entity in Cash	Payments made by third parties	Payments made by the Entity in Cash	Payments made by third parties
	Ksh		Kshs	Kshs
i)Receipts from Gok	20,000,000		13,992,438	
ii)Development Grants by LVSWSB			15,000,000	
<b>Total</b>	<b>20,000,000</b>	<b>0</b>	<b>28,992,438</b>	<b>0</b>

**8.4. PROCEEDS FROM FOREIGN GRANTS**

Details	FY 2019/20		FY 2018/19	
	Payments made by the Entity in Cash	Payments made by third parties	Payments made by the Entity in Cash	Payments made by third parties
			KShs	KShs
RVO	0	0		21,493,312
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,493,312</b>

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

There were no miscellaneous receipts to the project during the year under review.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.6. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2020, there were no transferred funds to other reporting government entities.

**8.7. PURCHASE OF SERVICES**

Details	FY 2019/20		FY 2018/19	
	Payments made by the Entity	Payments made by third parties	Payments made by the Entity	Payments made by third parties
	KShs	KShs	KShs	KShs
BAM International			21,493,312	21,493,312
Program management cost	5,809,847.53	0	1,311,126	0
Legal Services	0	0	6,188,000	0
<b>Total</b>	<b>5,809,848</b>	<b>0</b>	<b>28,992,438</b>	<b>21,493,312</b>

**8.8. PROJECT MANAGEMENT COSTS**

PROJECT MANAGEMENT COSTS				
#	Date	Origin No.	Details	Amount
1	24.10.2019	9272	Kenya Sanitation Conference	312,500.00
2	24.10.2019	9284	Kenya Sanitation Conference/Water S. Trust Fund	312,500.00
3	24.10.2019	9289	Kenya Sanitation Conference/Water S. Trust Fund	57,500.00
4	28.11.2019	9431	Diana Adhiambo	510,300.00
5	20.12.2019	9508	Tumaini Self Service Ltd	282,200.00
6	03.01.2020	10130	Diana Adhiambo	70,400.00
7	07.01.2020	10129	Diana Adhiambo	50,000.00
8	21.01.2020	9613	Samuel Okinyi Mong'u	357,666.89
9	21.01.2020	9613	Cesar Atambo Atambo	343,952.34
10	21.01.2020	9613	Ruth Mbaika Motinda	587,493.29
11	21.01.2020	9613	William Gichana Machuka	366,720.22
12	21.01.2020	9613	Enock Omwamba Obino	424,739.75
13	21.01.2020	9613	Luka Momanyi Ongondo	482,775.04
14	05.02.2020	9717	Diana Adhiambo	18,000.00
15	23.01.2020	9643	Diana Adhiambo	581,000.00
16	18.03.2020	10013	Diana Adhiambo	369,600.00
17	14.05.2020	10308	Diana Adhiambo	682,500.00
			<b>TOTAL</b>	<b>5,809,847.53</b>

**Kisii and Nyamira Water Supply and Sanitation Project  
Reports and Financial Statements for the financial year ended June 30, 2020**


**8.9. CASH AND CASH EQUIVALENTS CARRIED FOWARD**

The project has no special project bank accounts spread within the project. Gok Counterpart is paid through main development account and consultancy foreign grant is paid directly to the Consultant.

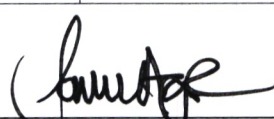
**9. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference no. on the external audit report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Late Submission of the Financial Statements	The Late submission occurred due to the transition that was taking place in the CEO's office	PA/PC	Resolved	30.06.2020

  
 Eng. George Odedeh  
 Ag. Chief Executive Officer

30/09/2020  
 Date

  
 Paul O. Agwanda  
 Project Coordinator

30/09/2020  
 Date

**Kisii and Nyamira Water Supply and Sanitation Project**  
**Reports and Financial Statements for the financial year ended June 30, 2020**

**10. ANNEXES**

**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Variance	% of Variance	Comments on Variance
	c=a+b	d	e=d-c	f=e/c %	
<b>RECEIPTS</b>					
Transfer from Government	20,000,000	20,000,000	0	0%	
Proceeds from borrowings	2,000,000	0	-2,000,000	0%	
<b>Total Receipts</b>	<b>22,000,000</b>	<b>20,000,000</b>	<b>-2,000,000</b>	<b>-9%</b>	
<b>PAYMENTS</b>					
Purchase of services & Project Management Costs	22,000,000	5,809,848	-16,190,152	-74%	1
<b>Total Payments</b>	<b>22,000,000</b>	<b>5,809,848</b>	<b>-16,190,152</b>	<b>-74%</b>	

**Comments on Variances**

1. The expenditure that was expected to be incurred reduced because it involved public gatherings which were stopped due to Covid 19

**ANNEX III- Trial Balance Sheet**

**TRIAL BALANCE AS AT 30TH JUNE 2020**

	Notes	DR	CR
		Ksh	Ksh
Fund Balance	8.2	14,190,152	
Transfer from Government entities	8.3		20,000,000
Orio Government proceeds			
Consultancy Services payment Donor	8.4		
Consultancy Services payment LVSXWDA			
Legal Fees			
Program Management Cost	8.8	5,809,848	
<b>TOTAL</b>		<b>20,000,000</b>	<b>20,000,000</b>



1880

1880

1880

1880

1880