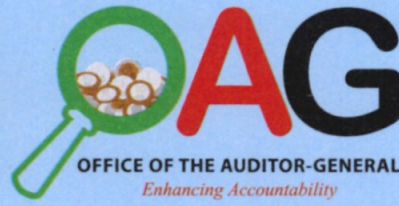


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REPORT

OF

THE AUDITOR-GENERAL

ON

**LAKE NAKURU BIODIVERSITY
CONSERVATION PROJECT GRANT
BMZ - NO. 2015 67 916 AND LOAN
BMZ- NO. 2016 65 116**

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

**CENTRAL RIFT VALLEY WATER WORKS
DEVELOPMENT AGENCY**

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 12 FEB 2026
BY: Hon George Mwangi
Kanda Tiliten
CLERK-AT

*Lake Nakuru Biodiversity Conservation Project
Reports and Financial Statements
For the financial year ended June 30, 2025*



PROJECT NAME: LAKE NAKURU BIODIVERSITY CONSERVATION PROJECT

**IMPLEMENTING ENTITY: CENTRAL RIFT VALLEY WATER WORKS DEVELOPMENT
AGENCY**

PROJECT GRANT BMZ -NO.2015 67 916 and LOAN BMZ-No.2016 65 116

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE, 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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1 Acronyms and Glossary of terms

LNBDP	Lake Nakuru Biodiversity Conservation Project
AIE	Authority to Incur Expenditure
CEO	Chief Executive Officer
CPA	Certified Public Accountant
ICPAK	Institute of Certified Public Accountant
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kfw	Kreditanstalt für Wiederaufbau
MIC	Middle Income Countries
GOK	Government of Kenya
KFS	Kenya Forest Services
WRA	Water Resources Authority
NEMA	National Environment & Management Authority
KeRRA	Kenya Rural Roads Authority
KeNHA	Kenya National Highways Authority
EMCA	Environmental Management and Coordination Act 1999
OSHA	Occupational Safety and Health Act of 2007
ERP	Enterprise Resource Planning
RAP	Resettlement Action Plan

2 PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name And Registered Office

Name:

Project; Lake Nakuru Biodiversity Conservation Project.

Objective: The project focuses on improving wastewater management and, to a lesser extent, water supply in the town of Nakuru. The primary objective is to contribute to the protection of biodiversity in Lake Nakuru National Park. Additionally, the project aims to promote the sustainable and equitable use of clean water and basic sanitation facilities for the local population while protecting water resources.

Address: Central Rift Valley Water Works Development Agency
Maji Plaza Prisons Road, Off Nakuru-Eldama Ravine Highway
P. O. Box 2451-20100
Nakuru.
Telephone: (254) 725999000
E-mail: info@crvwwda.go.ke
Website: www.crvwwda.go.ke

2.2 Project Information

Project Feasibility Start Date:	17/10/2016
Project Feasibility End Date	09/07/2020
Project Design Start Date	23/11/2021
Project End Date:	30/06/2027
Project Revised Date	23/12/2027
Project Manager:	Eng. Alice Nyawira Kimaru
Project Sponsor:	German Financial cooperation (KFW).

2.3 Project Overview

Ministry	The project is under the supervision of the Ministry of Water, Sanitation and Irrigation.
Project number	Grant NO. 2015 67 916 and Loan No. 2016 65 116
The activities from financial contribution	<p>The following project activities shall be financed from the financial contribution:</p> <ul style="list-style-type: none"> • Rehabilitation and expansion of sewer network in Nakuru town including construction of new connections, • Repair of leakages and partly rehabilitation of water supply network in southern zone of Nakuru town, • Consulting services for construction planning and construction supervision, • Institutional strengthening support to NAWASSCO
Objectives of the project	<p>Conservation of biodiversity of the Lake Nakuru National Park through:</p> <ul style="list-style-type: none"> • Improve waste water treatment system • Rehabilitate and extension of waste water conveyance system.
Activities financed from the loan	<p>The following project activities shall be financed from the loan:</p> <ul style="list-style-type: none"> • Rehabilitation , expansion and upgrading of the sewerage treatment plant, “Njoro”. • Conservation of the sewerage treatment plant “Town” into a wastewater transfer station and conveyance to Njoro sewerage treatment plant, • Rehabilitation and expansion of sewer network in Nakuru Town including construction of new connections
Planned achievements of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>(i) Improved waste water management and conveyance systems.</p> <p>(ii) Improved supply of water through creation of new connections</p> <p>(iii)improved supply by expansion into the informal settlements</p> <p>(iv)improved management of non-revenue water</p> <p>(v)Capacity Development of:-</p> <ul style="list-style-type: none"> • Training key staff of the Water Service Provider (NAWASSCO) • The sector regulator for improved service efficiency and • Women and youth for increased employment opportunities.
Other important background information	<p>The project is divided into two components namely:</p> <p>1. Works: Water Supply infrastructure (including expansion into the</p>

*Lake Nakuru Biodiversity Conservation Project
Reports and Financial Statements
For the financial year ended June 30, 2025*

of the project	informal settlements) Construction and rehabilitation of sewerage infrastructure in Nakuru town. 2. Goods & Services: <ul style="list-style-type: none"> • Goods: Purchase of Vehicles, Exhausters, Non-revenue water equipment, Enterprise Resource planning, water testing laboratories and equipment. • Services: Study, Design review and supervision of works consultancy.
Areas that the project was formed to intervene.	The project was formed to intervene in Nakuru town.
Project duration	The project started on 30 December 2019 and was expected to end by 30 June 2027. This date has been revised to 23 December 2027

2.4 Bankers

The following are the bankers for the project is KCB address shown below;

KCB Bank,
Main Branch, Kenyatta Avenue Nakuru,
Account No: 1101792388
P.O BOX 18-20100
Nakuru

2.5 Independent Auditor

The project is audited by the Office of the Auditor General the address is as shown below;

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

2.6 Roles and Responsibilities

Names	Title/designation	Key Qualifications	Responsibilities
CPA, Douglas Murei Kaibos	Chief Executive Officer	MSc. Project Planning & Management, Bachelor of Commerce, CPA (K)	Accounting Officer (Chief Executive Officer)
Eng. Joseph Salee	Project Coordinator	Bachelor of Science in Civil Engineering, Post Graduate Diploma in Computer Science.	Project Coordinator
CPA Grace J Bowen	Ag. GM-Finance	Bachelor of Science. Registered Member of CPA(K)	Finance Expert
Eng. Alice Nyawira	Project Engineer	BSc. Degree in Civil and Structural Engineering. Registered Graduate Engineer.	Project Engineer
Eng. Philip Kimeli	Environmental Engineer	MSc Science & Climate Change BSc. in soil water& Environmental Engineering.	Environment & Social Safeguards Expert
William Sakuda	Procurement Manager	Master's in Business Administration, BSC Mathematic and Diploma in Procurement.	Procurement Expert
Lilian G. Saboke	Accountant	ICPAK Registered Accountant.	Project Accountant

2.7 Funding summary

The Projects duration is for eight years from 2019 to 2027 with an approved budget of EUR 50.6 million equivalent to Ksh 6.325 billion EUR 1= Ksh 125. Prevailing exchange rates during disbursements will be used for accounting purpose as per Article III sec. 3.8 of the subsidiary loan agreement.

A Source of Funds:

Source of Funds	Donor Commitment		Amount Received to Date-30/06/2025		Undrawn Balance to Date 30/06/2025	
	Donor Currency (Euros)	Kshs (Exchange Rate per Euro (Ksh.125))	Donor Currency (Euros)	Kshs Exchange Rate per Euro (Ksh.125)	Donor Currency (Euros)	Kshs
	(A)	(A)	(B)	(B)	(A')-(B')	(A')-(B')
KFW Loan	29,000,000	3,625,000,000	1,859,469.64	271,947,079	27,140,530.36	3,353,052,921
KFW Grant	14,000,000	1,750,000,000	1,155,942	144,492,750	12,844,058	1,605,507,250
Sub Total	43,000,000	5,375,000,000	3,015,411.64	416,439,829	39,984,588.36	4,958,560,171
Counterpart funds						
Government of Kenya	7.600,000	950,000,000	1,678,911.96	212,499,996	5,921,088.04	737,500,004
Total	50,600,000	6,325,000,000	4,694,323.60	628,939,825	45,905,676.40	5,696,060,175

B Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative Amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(A)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
KFW	1,859,469.64	271,947,089	1,859,469.64	271,947,079	-	-
					-	-
(ii) Grant					-	-
KFW	1,155,942	144,492,750	1,155,942	144,492,750	-	-
					-	-
(iii) Counterpart funds					-	-
Government of Kenya	1,678,911.96	212,499,996	407,605.33	55,541,772	1,035,003.14	156,958,224
Total	4,694,323.60	628,939,835	3,423,016.97	471,981,601	1,035,003.14	156,958,224

2.8 Summary of Overall Project Performance:

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

During the year under review, the KFW Project Budget was Kshs 200,000,000 under Loan allocation The GoK counterpart fund amount of Kshs 10,000,000.

The amount disbursed against budget is Ksh 165,198,571 on the loan component and Ksh 14,999,996 for Gok counterpart with an expenditure of Kshs 25,246,893.

Prior year adjustment of Ksh 20,244,713 has been included on account of loan from application of prevailing exchange rate during the time of disbursement as per Article III sec 3.8 of subsidiary agreement vs the exchange rate at the time of signing the loan agreement of euros 125

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

The program was split into three phases according to deliverables;

- a) Phase I for Consultancy
- b) Phase II for Construction and
- c) Phase III for Defects Notification Period

The table below represents phase I for Consultancy and preparation stage and it indicates an approximate progress of 95% implementation.

Phase I Consultancy

Deliverables	Status
Inception Report	approved
Scoping Report	approved
Legal Framework and Stakeholder Engagement	approved
Special Report "Summary of Selected Water Supply Measures"	approved
Special Report "Summary of Selected Sewage Disposal Measures"	approved
Special Report "Woodland Irrigation"	approved
Environmental and Social Impact Assessment Report (ESIA)	approved
Resettlement Action Plan (RAP)	approved
Report on Preliminary Institutional Assessment	approved
Interim Final Design Report Water Supply	approved
Interim Final Design Report Wastewater	approved
Final Design Report Water Supply	approved
Final Design Report Wastewater	approved
Environmental and Social Management Plan (approved
Prequalification Documents Lot 1	approved
Tender Evaluation Report	Complete
Tender evaluation report Lot 1	No objection' to engage contractor granted
Tender evaluation report Lot 2	Due diligence of contractors and review of bids for a 'no objection'
Tender evaluation report Lot 3	Due diligence of contractors and review of bids for a 'no objection'

iii. Absorption rate since commencement of project

The absorption rates for the project since inception are as shown below;

F/Y	Receipts	Commitments	Rate %
	a	b	(a/b) %
		6,325,000,000	
2024/2025	200,443,275		3.17
2023/2024	42,484,754		0.67
2022/2023	104,019,050	-	1.64
2021/2022	37,500,000	-	0.01
2020/2021	16,236,625	-	0.26
2019/2020	53,524,750	-	0.85
2018/2019	96,774,250	-	1.53
2017/2018	77,957,125	-	1.23
Total	628,939,829	6,325,000,000	9.36

iv. Implementation challenges.

- a) The project has been facing a delay in submission of deliverables. This resulted in a delay in receiving the no objection from the Financier (KfW Development Bank) for procuring contractors to construct the investment measures.

Recommendations & way forward

- a) The Agency held a management meeting with the Financier (KfW Development Bank) and the Consultant. The meeting resulted in an agreement on the following deliverable timelines to allow the construction works to start in Q1/Q2
- Tender Documents for Lot 2 and Lot 3: due diligence and clarifications

2.9 Summary of Project Compliance:

(i) Significant cases of non-compliance with applicable laws and regulations and essential external financing agreements/covenants

The project has continually to adhered to the applicable laws and regulations including the environmental and social safeguards. The project has had ESIA studies undertaken and NEMA licenses issued on time prior to project implementation. and has adhered to essential external financing agreement.

(ii) Consequences suffered on account of non-compliance or likely to be suffered.

There are no consequences suffered so far, as the project is at procurement stage, however, in an event of a significant non-compliance case, the financing institution will stop specific project disbursement. leading to delayed project implementation. Failure to adhere to applicable laws and regulations such as NEMA, NCA, WRA can also lead to temporary closure of project and cases of claims by contractors leading increased cost implications.

(iii) Mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

The Agency has in place mitigation measures to alleviate the adverse/potential effects of non-compliance; these includes quarterly monitoring and reporting of the environmental and social management frameworks. This shall be jointly done by the project parties these are the Employer (CRVWDA), NAWASSCO (WSP), the project consultant, the project contractor and both levels of Government Authorities, NEMA, WRA, Lake Nakuru National Park (LNNP)/ Kenya Wildlife Services (KWS), through this any non-compliance may easily be noted and addressed. Further, the project shall fully comply to the Kenyan Laws and KfW World Bank social safeguards operating standards and reporting done as per requirements.

3 STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project's agreement/ plan are to:

Contribution to the protection of biodiversity of the Lake Nakuru National Park through:

- (i) Improvement of waste water treatment system
- (ii) Rehabilitation and extension of waste water conveyance system by
 - Rehabilitation and expansion of sewer network in Nakuru town including construction of new connections,
 - Repair of leakages and partly rehabilitation of water supply network in southern zone of Nakuru town,
 - Consulting services for construction planning and construction supervision,
 - Institutional strengthening support to NAWASSCO

Progress on attainment of Strategic development objectives

The main objective of the program is to improve water supply and waste water infrastructure as well as management of non-revenue water Nakuru city in Kenya, with a view to catalyzing commercial activities, driving economic growth, employment creation, improving quality of life of the people and building resilience against climate variability and change. The project will support water supply infrastructure and sanitation infrastructures in Nakuru town and its environs by providing more than 120,000 people in Baharini with twelve (12 no.) new boreholes and rehabilitation of Mereroni intake and construction of three (3 no.) transmission main and 10,000 m³. Optimization of existing boreholes. Construction of of njoro waste water treatment plant with reliable and sustainable water supply services with water-borne sewerage systems. In addition, the program will create more than 5,000 new jobs during and after construction.

There is no physical progress as the project has not commenced for construction. The procurement process has been completed and Agency conducting a due diligence.

4 ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The program has outlined a number of projects and activities to be implemented in all the projects under construction for the Lake Nakuru Biodiversity Conservation Project. Project implementation is underway and majority of the activities are yet to be rolled out.

1. Sustainability strategy and profile.

The Constitution of Kenya has declared access to Water Supply and Sanitation Services a human right which is to be achieved progressively. Under the Water Act, 2016, the Cabinet Secretary is expected to formulate and implement a National Water Services Strategy that will progressively lead to attainment of this right. The Agency has therefore aligned its development and operational agenda to the National Water Services Strategy and endeavors to mobilize adequate resources to implement its plan and achieve the national vision. The Agency has identified five key result areas to effectively realize its mandate. The five key result areas are:

1. Effective mobilization and prudent utilization of resource.
2. Development and Improvement of the water and sanitation infrastructure.
3. Management of the water and sanitation infrastructure developed.
4. Enhancement of institutional framework and capacity.
5. Customer and stakeholder management.

The Agency believes that pursuing impact in these five key result areas will enable achievement of sufficient and resilient infrastructure that will continually and sustainably support attainment of the universal access to improved water supply and sanitation services in its area of jurisdiction. This aspiration is aligned to the National initiatives under the Big Four Agenda which is attendant to the Vision 2030, the Sustainable Development Goal Number six of the United Nation and the Africa Unions Agenda 2064. We have done our best with considerable success in each of the key result areas and we remain committed to achieving the National Government's development goals by our short-term local interventions.

2 Environmental performance

The Environmental Management and Coordination Act 1999 (EMCA) and 2015 guides the Agency project/ program implementation. Through the Act, the public and the society are empowered through Public participation that in turn supports the project implementation leading

to its success. On the other hand, the EMCA Act makes reference to the Constitution of Kenya which empowers communities on project implementation which sometimes leads to project rejection and aversion i.e. Sewerage Projects. The Agency, working closely with other stakeholders promotes and sustain tree planting exercise which seeks to mitigate climate change and promote biodiversity. In its efforts to reduce environmental impacts, the Agency undertakes the Environmental Impact Assessment studies which outlines the possible impacts and propose mitigation measures which are implemented during project implementation which also include regular Environmental audits.

3 Employee welfare

The Agency has a Human Resources Policy and Procedures Manual which stipulates the guidelines on recruitment and selection and further requires that a third (1/3) gender rule is adhered to in the recruitment process. The Agency has in place career progression guidelines and reviews the staffing levels of the institution from time to time. On safety and compliance with Occupational Safety and Health Act of 2007, (OSHA), An approved Health and Safety Policy is in place and is well adhered to and has been availed to all staff. The employees are entitled for leave out, medical insurances, training on their professional growth.

4 Market place practices

a) Responsible supply chain and supplier relations

The Agency engages suppliers on sensitizations meetings to get their feedback on the provision of good, works and services. Pre-bid and site visit meetings are conducted to acquaint the suppliers with the minimum requirements. Successful bidders are engaged in a negotiation/pre-contract clarification meeting so as to be at par with the expectations of the Agency before contract execution. All this ensures an established good relationship between the Agency and the suppliers. Payment is made timely provided that all requirements are met. Suppliers are informed of the required documentations and processes and the contract implementation requirements before a payment request is raised. This ensures no delay in making for payment of goods supplied, works executed or services rendered.

b) Responsible ethical practices

The Agency ensures that laws relating to The Constitution of Kenya 2010, The Public Procurement and Asset Disposal Act 2015 And Public Procurement and Asset Disposal

Regulations 2020 are followed. The Agency strictly adopts the most preferred method of procurement-Open tendering. Players in the market are given chances and level ground to compete. Information on the available tender opportunities is relayed to the bidders through the Public Procurement Information Portals, The Agency's website and the national newspapers to ensure universal and free access to information. To enhance fair competition, evaluation is based on set criteria favorable to all bidders, where price takes precedence without prejudicing on quality. Vulnerable groups are given preference to ensure they are not edged out of market and are therefore given a favorable and conducive business environment. The Agency ensures that specifications development does not give undue influence or reference to a particular product or service in the market that will give a competitive advantage to a particular supplier

c) Regulatory impact assessment

The agency ensures openness in advertising for its available opportunities. Informing on such opportunities is relayed in the easiest, understandable language and conveyed in the easily available mode of communication. The information is consistent to all clients. Queries raised by a particular bidder in relation to a procurement proceeding is clarified and the clarification is sent to all bidders in that respect. In preparation of product specifications, the Agency ensures that the approved standards used are universal and cannot be tied to a particular item or product in the market. The Agency has a dedicated email service for queries in relation to procurement matters

5 Community Engagements

During the year under review, the Agency continued to implement its Corporate Social Responsibility program in line with its policy. This policy builds and support the execution of the Agency's mandate as part of integrating community concerns in the Agency's operation and interactions with their stakeholders and customers. carry out community and stakeholder engagements during project formulation and implementation so as to ensure sustainability is achieved in all the agency developed infrastructure.

5 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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 (period) ended on 30th June, 2025. 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 of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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 of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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/period ended 30 June 2025, and of the Project's financial position as at that date. The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in

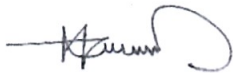
*Lake Nakuru Biodiversity Conservation Project
Reports and Financial Statements
For the financial year ended June 30, 2025*

the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation 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/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Chief Executive Officer of Central Rift Valley Water Works Development Agency and the Project Coordinator for Lake Nakuru Biodiversity Conservation Project on 28th August, 2025 and signed by them.



CPA Douglas Murei Kaibos
Chief Executive Officer



Eng. Joseph Salee
Project Coordinator

REPUBLIC OF KENYA



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Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON LAKE NAKURU BIODIVERSITY CONSERVATION PROJECT GRANT BMZ - No. 2015 67 916 AND LOAN BMZ- No. 2016 65 116 FOR THE YEAR ENDED 30 JUNE, 2025 – CENTRAL RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying transitional IPSAS financial statements of Lake Nakuru Biodiversity Conservation Project - Central Rift Valley Water Works

Development Agency set out on pages 1 to 31, 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 the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Lake Nakuru Biodiversity Conservation Project - Central Rift Valley Water Works Development Agency as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards Accrual Basis (including the transitional provisions permitted under IPSAS 33) and comply with the Project Grant No. 201567916 and Loan BMZ- No. 2016 65 116, dated 30 December, 2019 between the German Financial Corporation (KFW) and the Republic of Kenya and the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

In addition, the special accounts statement presents fairly the special account transactions, and the closing balance has been reconciled with the books of account.

Basis for Qualified Opinion

1. Undisclosed Commitment Charges and Interest on Loans

The statement of financial performance reflects total expenses of Kshs.210,690,168. However, review of the Project Report and supporting records revealed that Management did not disclose commitment and interest charges amounting to Kshs.265,491,213 which is calculated based at 0.25% and at 0.75% for commitment charges and interest on loan respectively, on disbursed loan amounts. Further, supporting documents including correspondences with the Donor, KFW were not provided as evidence that the payments were made as tabulated below;

Loan Date	Disbursements (Kshs)	Loan approved (Kshs)	Commitment 0.25% (Kshs)	Interest 0.75% (Kshs)	Total (Kshs)
		3,625,000,000			
2017/2018	77,957,125	3,547,042,875	8,867,607	26,602,821	35,470,428
2018/2019	96,774,250	3,450,268,625	8,625,671	25,877,014	34,502,686
2019/2020	53,524,750	3,396,743,875	8,491,859	25,475,579	33,967,438
2020/2021	16,236,625	3,380,507,250	8,451,268	25,353,804	33,805,072
2021/2022	37,500,000	3,343,007,250	8,357,518	25,072,554	33,430,072
2022/2023	104,019,050	3,238,988,200	8,097,470	24,292,411	32,389,882
2023/2024	42,484,754	3,196,503,446	7,991,258	23,973,775	31,965,034
2024/2025	200,443,280	2,996,060,166	7,490,150	22,470,451	29,960,601
Total			66,372,801	199,118,409	265,491,213

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unconfirmed Transfer of Counterpart Funds (GOK) to the Project

The statement of financial performance reflects an amount of Kshs.14,999,996 in respect of GOK counterpart funding as disclosed in Note 6 to the financial statements. Review of the cashbook provided for audit, on disbursements from the Ministry of Water and Irrigation revealed that there were no specific amounts that were transferred for the Lake Nakuru Biodiversity Conservation Project. The amounts that were transferred from the Ministry were related to other votes as detailed in the table below;

Date	Payee	Amount (Kshs)
10/07/2024	Water Quality Analysis	10,000,000
25/09/2024	MWI-Development Grant	833,333
11/10/2024	MWI-Development Grant	833,333
20/11/2024	MWI-Equalization Grant	833,333
22/11/2024	MWI-Equalization Grant	833,333
15/01/2025	MWI Grant	833,333
21/05/2025	MWI-Grant	833,333
Total		14,999,998

In addition, entity has never opened a separate bank account for the Lake Nakuru Biodiversity Conservation Project since its inception to receive funds from the National Government of Kenya. Instead, the management has lumped the Project funds together with the recurrent operations vote head from the Treasury. As a result, there was no separate cashbook, certificate of bank balances and bank reconciliation statements to support the project receipts, payments and bank balances.

In the circumstances, the accuracy and completeness of the amount of Kshs.14,999,996 in respect of GOK counterpart funding could not be confirmed.

3. Expenditure not Related to the Project

The statement of financial performance reflects use of goods and services amount of Kshs.210,690,168 as disclosed in Note 9 to the financial statements. Included in the balance is an amount of Kshs.25,246,893 in relation to the Government counterpart funding of the expenditure. However, review of the supporting records revealed that an amount of Kshs.10,414,468 was spent on activities that do not directly relate to the Project. The latter amount was related to the activities of the implementing Agency, Central Rift Valley Water Works Development Agency which are budgeted for separately under the organization's current operations vote head funded by the Ministry.

In the circumstances, the accuracy and completeness of the amount of Kshs.10,414,468 could not be confirmed.

4. Commingling of Funds

The statement of financial position reflects Nil balance in respect of cash and cash equivalents as disclosed in Note 17 to the financial statements. However, the cash book reflects balance of Kshs.69,798,645 resulting to an unexplained and

unreconciled variance of Kshs.69,798,645. Further, although Management explained that the funds are in an account held in a local bank, available information revealed that the account is the development account of Central Rift Valley Water Works Development Agency resulting in comingling of funds.

In the circumstances, the accuracy and completeness of the cash and cash equivalents Nil balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Lake Nakuru Biodiversity Conservation Project - Central Rift Valley Water Works Development Agency Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in the Use of Public Resources. However, Management had not provided the status or resolved the issues as at 30 June, 2025. The matters were as follows;

1. Unconfirmed comparative balances,
2. Unsupported cash and cash equivalents,
3. Inaccuracies in the statement of budget versus actual amounts,
4. Payments not related to the projects,
5. Delay in design and implementation of the project, and
6. Lack of designated bank account.

Other Information

The Management is responsible for the Other Information set out on page iii to xvii which comprise of Project Information and Overall Performance, Statements of Performance against Project's 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 conclusion 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 Design and Implementation of the Project

As previously reported, a consultancy service expenditure of Kshs.7,484,754 was incurred in respect of the preparation of detailed design and tender documents, assistance to PEA in tendering process and contracting, construction, supervision and management of the Lake Nakuru Biodiversity Conservation Project. However, review of the contract and the loan agreement documents revealed the following;

- i. The detailed designs, tender for contract of works and construction phase were behind schedule as detailed in Annex 2 to the Loan Agreement putting the Project implementation behind schedule.
- ii. The procurement process for the identification of the contractor was still on-going and behind schedule.
- iii. The first repayment of the loan is due on 15 May, 2026. As per the time schedule in the Annex 2 of the contract document, the repayment of the first installment will be due when defect liability period is ending. The Government of Kenya will be repaying the loan when the construction phase will be still ongoing with the current state of procurement.
- iv. The Project's duration is for eight (8) years from 2019 to 2027 with an approved budget of Euros (EUR)50.6 million equivalent to Kshs.6.325 billion (at EUR 1 equivalent to Kshs.125). Prevailing exchange rates during disbursements will be used for accounting purpose as per Article III Section 3.8 of the Subsidiary Loan Agreement. However, it was observed that as at 30 June, 2025 the duration expiry

was six (6) years or 75% against an absorption rate of 9.36%. The completion of the project is unlikely to be completed within the Project duration.

- v. Article 4 of the Loan Agreement between KFW, Frankfurt and The National Treasury and Planning signed 30 December, 2019 on commitment charge, interest and repayment stipulates that the first repayment of the Loan falls due on 15 May, 2026.
- vi. Article 3.3 KFW shall have the right to refuse to make disbursements after 30 June, 2027 hence the objective of the loan and grant of improving waste water management and water management in the City of Nakuru will not be achieved.

In the circumstances, failure to implement projects as planned may have negatively impacted on delivery of goods and services to the public.

2. Lack of a Project Designated Bank Account

The statement of financial position reflects Nil cash and cash equivalents balance. However, the Project does not maintain a designated bank account and its activities funded by GOK are undertaken through the implementing Agency (Central Rift Valley Water Works Development Agency) bank account. This was contrary to clause 1.2(j) and (h) of the subsidiary loan agreement between the government of Kenya and the Agency which provides that a local and foreign currency bank accounts shall be opened for the purpose of receiving the portion of loan from the government and development partners.

In the circumstances, Management was in breach of the Loan Agreement.

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 Project Grant BMZ- No. 201567916 and Loan BMZ- No. 201665116 dated 30 December, 2019 between German Financial Cooperation (KFW) and the Republic of Kenya, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. 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.

Basis for Conclusion

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 the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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.

Management is 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

27 November, 2025

**7 STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30TH JUNE 2025**

	Notes	2024/2025
		Kshs
Revenue		
Revenue Transfers	6	200,443,271
Miscellaneous Revenue	7	
Total revenue		200,443,271
Expenses		
Use of goods and services	9	210,690,168
Other grants and transfers		-
Total expenses		210,690,168
Surplus/ (deficit)		(10,246,897)

The accounting policies and explanatory notes to these Financial Statements are an integral part of the Financial Statements.



CPA. Douglas Murei Kaibos
Chief Executive Officer



Eng. Joseph Salee
Project Coordinator



CPA Grace J Bowen
Ag. GM- Finance
ICPAK No 6480

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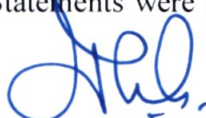
8 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2025

	Note	2024/2025	1st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	17	-	-
Receivables	18	-	-
Total Current Assets		-	-
Non-Current Assets			
Property, Plant and Equipment	21	628,939,825	460,805,874
Total Non- Current Assets		628,939,825	460,805,874
Total Assets (a)		628,939,825	460,805,874
Liabilities			
Current Liabilities			
Trade and Other Payables	22	-	32,309,320
Retention	23	-	-
External Borrowing-KfW	24	271,947,079	86,503,804
Total Current Liabilities		271,947,079	118,813,124
Total Liabilities (b)		271,947,079	118,813,124
Net Assets (a-b)		356,992,746	341,992,750
Represented By:			
Accumulated Surplus		356,992,746	341,992,750
External Borrowing-KfW		271,947,079	118,813,124
Total Net Assets & Liabilities		628,939,825	460,805,874

The accounting policies and explanatory notes to these Financial Statements form an integral part of the Financial Statements. The Financial Statements were approved on 28th August 2025 and signed by:



CPA. Douglas Murei Kaibos
 Chief Executive Officer



Eng Joseph M Salee
 Project Coordinator



CPA Grace J Bowen
 Ag. GM- Finance
 ICPAK No 6480

9 STATEMENT OF CHANGES IN NET ASSETS

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (Cash Basis)	167,205,121
Adjustments:	
Asset Recognition	-
Liabilities recognition	-
As at 1st July 2024	167,205,121
Surplus/(Deficit) for the year	(10,246,897)
As at 30th June 2025	156,958,224

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

The financial statements were approved on 28th August 2025 and signed by;



CPA. Douglas Murei Kaibos
Chief Executive Officer



Eng. Joseph Salee
Project Coordinator




CPA Grace J Bowen
Ag. GM- Finance
 ICPAK No 6480


10 STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2025

Description	Note	2024-2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		14,999,996
Miscellaneous Revenue		
Total receipts		
Payments		
use of goods and services		14,999,996
Other transfers		
Total payments		14,999,996
Net cash flow from operating activities		-
Cashflow from investing activities		
Acquisition of non-financial assets		(185,443,275)
Net cash flows from investing activities		(185,443,275)
Cash flow from financing activities		
<i>Loan</i>		185,443,275
Net cash flow from financing activities		
Net increase/Decrease in cash and cash equivalents		-
Cash and cash equivalent at 1st July 2024		-
Cash and cash equivalent at end June 2025		-

The financial statements are set out on pages 1-34 and were signed on its behalf by;


 CPA. Douglas Murei Kaibos
 Chief Executive Officer


 Eng. Joseph Salee
 Project Coordinator


 CPA Grace J Bowen
 Ag. GM- Finance
 ICPAK No 6480

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11 STATEMENTS OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2025

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Of Utilization	Comments on Variance
Receipts	a	b	c=a-b	d=b/a %	
Transfer from Government entities	10,000,000	14,999,996	(4,999,996)	150	yet to start
Proceeds from domestic and foreign grants	-	-	-	-	yet to start.
Loan from external development partners	200,000,000	165,198,562	34,801,429	73	yet to start
Prior year adjustment	-	20,244,713	(20,244,713)		
Total Receipts	210,000,000	200,443,271	9,556,720	95.45	
Payments				-	
Compensation of employees	-	-	-	-	
Purchase of goods and services	10,000,000	25,246,893	(15,246,893)	252.5	yet to start
Social security benefits	-	-	-	-	
Acquisition of non-financial assets	200,000,000	165,198,562	34,801,429	82.5	yet to start
Transfers to other government entities	-	-	-	-	
Other grants and transfers	-	-	-	-	yet to start
Prior year adjustments		20,244,713	(20,244,713)		
Total payments	210,000,000	210,690,168	(690,177)	100.33	
		(10,246,897)	10,246,897		

11 NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Agency is established by and derives its authority and accountability from the Water Act. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya. The Agency's principal activity is that it develops and manages water services infrastructure and provides technical support to the County Governments in its area of jurisdiction and to the Cabinet Secretary in charge of Water Services. The Agency hands the completed water services infrastructure over to designated Water Services Providers for operating and day to day managing of water supply and sanitation services.

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 28th 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 recognize, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <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><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></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 recognized 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>

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Standard	Effective date and impact:
	<i>State the expected impact of the standard to the Entity if relevant</i>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></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><i>State the expected impact of the standard to the Entity if relevant</i></p>

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></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>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></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</p>

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Standard	Effective date and impact:
	<p>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>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></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>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

iii) Early adoption of standards

The Agency 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 of Directors on **25th October 2025**. 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 **.xxx** on the FY 20XX/20XX budget following the Council/ 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

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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 **xx** under section **xxx** 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.

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.

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. (amend as appropriate).*

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 amortized 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

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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.

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

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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.

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

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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 *Entity* creates and maintains reserves in terms of specific requirements. (*Entity to state the reserves maintained and appropriate policies adopted*).

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.

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 entity to retain information relating to defined benefits or contributions, where both schemes are managed full policy applies)*

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

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.

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

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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.

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. Additional disclosure of these estimates of provisions is included in Note xxx.

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.

(Include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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6 Revenue Transfers

Description	2024/2025 KShs
Unconditional Transfers	
GoK Counter Part funding	14,999,996
Transfers from Development partners	
<i>Other unconditional transfers (Specify)</i>	-
Total Unconditional Transfers (a)	14,999,996
Conditional Transfers	
External Borrowing-KfW	185,443,275
<i>Other conditional transfers (specify)</i>	-
Total Conditional Transfers (b)	185,443,275
Total Transfers for the Year (a + b)	200,443,271

a) details of Revenue Transfer

	2024/2025 Kshs
Counterpart funds	
GoK Quarter 1	10,833,333
GoK Quarter 2	2,499,997
GoK Quarter 3	833,333
GoK Quarter 4	833,333
Total	14,999,996

	Payments made by third parties Kshs	Total Payments Kshs
Consultancy Services	165,198,562	165,198,562
Prior year adjustments on Exchange rates	20,244,713	20,244,713
Total	185,443,275	185,443,275

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7 Miscellaneous Revenue

There were no miscellaneous receipts during the year.

8 Employee Cost

There was no employee cost during the year

9 Use of Goods and Services-(donor component)

Description	2024/2025			
Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*
		EURO	Kshs	Kshs 2024/2025
KfW				
Kfw	12/7/2024	1,484.67	0	208,599.70
Kfw	12/7/2024	14,318.09	0	2,011,726.01
Kfw	2/10/2024	242,671	0	34,668,367.33
Kfw	4/10/2024	397,576.20	0	56,643,635.40
Kfw	21/03/2025	116,294	0	16,297,467.05
Kfw	21/03/2025	395,095.25	0	55,368,766.86
Prior years adjustments on Exchange rates				20,244,713
Total		1,167,439.21	-	185,443,275

Use of Goods and Services-(GoK counterpart)

	Payments made by the Entity in Cash
Communication, Supplies and Services	6,960,167
Domestic Travel	6,473,165
Fuel	714,391
Training	279,456
Hospitality Supplies and Services	1,211,776
Other Operating Payments	7,476,576
Routine Maintenance -Vehicles and Other Transport Equipment	2,131,362
Total	25,246,893

10 Depreciation & Amortization expense

There was no depreciation charge during the year

11 Transfer to other Government Entities

There was no transfers made during the year

12 Other Transfers/Subsidies/Grants

There was no transfers during the year

13 Certified Works

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments
	Kshs	Kshs	Kshs
Consultancy Services	0	165,198,562	165,198,562
Prior year adjustments on Exchange rates		20,244,713	20,244,713
Use of Goods & Services	25,246,893	0	25,246,893
Total	25,246,893	185,443,275	210,690,168

14 Gains/Loss on sale of Assets

There was no sale of assets during the year

15 gain/Loss on Foreign exchange transactions

There was no gain/loss on foreign exchange transaction during the year

16 impairment loss

There was no transfers during the year

17 Cash and Cash Equivalents

There was no cash and cash equivalents during the year

18 Receivables-(Advance payments)

There was no advances made during the year

19 Inventories

There were no inventories during the year.

20 Prepayments

There were no other prepayments made during the year.

21 Property Plant and Equipment

Cost	Motor vehicles Kshs	Furniture and fittings Kshs	ICT Equipment Kshs	Other Assets (specify) Kshs	Capital Work in progress Kshs	Total Kshs
Depreciation rate	X%	X%	X%	X%		
As At 1July 2024 (opening balances)					460,805,874	460,805,874
Additions					200,443,271	200,443,271
Disposals					-	-
Transfers/Adjustments					(32,309,320)	(32,309,320)
As at 30th June 2025					628,939,825	628,939,825
Depreciation And Impairment						
As at 1July 2025						-
Depreciation charge for the year						-
Impairment loss						-
Transfers/ Adjustments						-
As At 30th June 2025						-
						-
Net Book Values						
As at 1st July 2024					-	460,805,874
As at 30th June 2025	-	-	-	-	-	628,939,825

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Adjustments 1st July 2024

	Notes	Balance 30th June 2024	Adjustments	Opening Statement 1st July 2024
		Kshs	Kshs	Kshs
Assets				
Current Assets				
Cash and Cash equivalents		0		-
Receivables-Contractors advance payment			-	-
Total Current Assets		-		-
				-
Non-Current Assets				-
Property, Plant and Equipment-WIP			460,805,874	460,805,874
Intangible Assets				-
Total Non- Current Assets				460,805,874
Total Assets (A)		-		460,805,874
				-
Liabilities				-
Current Liabilities				-
Trade and Other Payables			32,309,320	32,309,320
Retention			-	-
Loan			86,503,804	86,503,804
Total Current Liabilities(B)				118,813,124
Net Assets(A-B)		-	-	341,992,750
Represented By:				
Accumulated Surplus		0		341,992,750
Capital Fund				118,813,124
Net Assets		-		460,805,874

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Adjustments

Accumulated surplus as at 30th June 2024		167,205,121
Add		-
PPE WIP		293,600,753
Receivable-Contractors advance payment		-
		-
Total assets		325,910,073
Less		
Retention		-
Trade and other payables		32,309,320
loan		86,503,804
Total liabilities		(118,813,124)
Accumulated surplus as at 1st July 2024		374,302,070

22 Intangible Assets

There were no intangible assets recorded during the year

23 Trade and Other Payables

There were no payables recorded during the year

24 Third Party Deposits

There were no deposits recorded during the year

25 Deferred Income

S/No	Supplier of Goods & Services	Consultancy services	TOTALS 2024/25
1	COWI A/S	Advance Payment	
2	COWI A/S	Invoice No.1	
3	COWI A/S	Hydrological investigations	
4	COWI A/S	Topographical investigations	
5	COWI A/S	Invoice No.1D	208,600
6	COWI A/S	Invoice No.1E	2,011,726
7	COWI A/S	Invoice No.1	34,668,367
8	COWI A/S	Invoice No.2	56,643,635
9	COWI A/S	Invoice No.3	55,368,767
10	COWI A/S	Addendum 1	16,297,476
	Prior year adjustment exchange rate		20,244,714
	TOTAL		185,234,685

26 Cash Generated From Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	(10,246,897)
Adjusted for:	
Depreciation	-
Non-cash grants received*	42,556,217
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	32,309,320
Increase in inventory	
Increase in receivables	-
Increase in deferred income	-
Increase in payables	(32,309,320)
Increase in payments received in advance	-
Net cash flow from operating activities	-

*Non cash grants represents third party payments made

27 Special Deposit Accounts

The program has no special account, thus no special deposit balances and no movement schedule prepared during the year.

28 Related Party Disclosures

Government of Kenya

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

Other related parties

- i. The Ministry of Water Sanitation & Irrigation
- ii. County Governments
- iii. Other State Corporations & Semi-Autonomous Government Agency
- iv. Key Management
- v. Board of Directors

29 Events after the Reporting Period

IPC No.	Date	EUROS	applied exchange rate of ksh 125	Total Amount prior year	Prevailing exchange rate/date	Total Amount	Adjustment
				(a)		(b)	c=(b)-(a)
			Ksh	Ksh		Ksh	Ksh
Advance Payment	20/06/2023	316,076.20	125	39,509,525	153.0806	48,385,134	8,875,609
Invoice NO.1	20/06/2023	316,076.20	125	39,509,525	153.0806	48,385,134	8,875,609
Invoice NO.1B	5/12/2023	35,498.74	125	4,437,343	166.6429	5,915,613	1,478,270
Invoice NO.1C	5/12/2023	24,379.29	125	3,047,411	166.6429	4,062,636	1,015,224
TOTAL		692,030.43		86,503,804		106,748,517	20,244,713

30 Ultimate and Holding Entity

The is a State Corporation under the Ministry of Water Irrigation its ultimate parent is the Government of Kenya.

31 Currency

The Financial Statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

13 Annexes

Annex 1 – Prior Year Auditor-General’s Recommendations

Ref No.	Issue/Observations from Auditor	Management comments	Status	Time Frame
1	<p>Unconfirmed Comparative Balances</p> <p>The statement of receipts and payments reflects cumulative receipts and payments amounting to Kshs.42,484,754 and Kshs. 25,883,201 respectively. Additionally, the statement of financial assets and financial liabilities reflects comparative net financial assets balance of Kshs. 167,205,121. Review of the financial statements including the preamble information section 2.2 and 2.7 in respect of project information and funding summary an application revealed that the project was stated in the year2016 and funds receipts and applications of Kshs.428,496,554 and Kshs.261,291,451 respectively. However no financial statements had been prepared and submitted for audit since inception until 2023/2024.</p> <p>In the circumstance the accuracy and completeness of the comparative balance in the financial statements could not be confirmed</p>	<p>The management has prepared the report cumulative from 2018-2024 for audit review since the designs were completed and moving to construction. However, these amounts had earlier been reported under CRVWDA Financial Statements.</p>		
2	<p>Unsupported cash and cash equivalents</p> <p>The statement of financial assets and financial liabilities reflects balance of Kshs.167,205,121 in respect of cash and cash equivalents and as disclosed in Note 11 to the financial statements. However, the cash and cash</p>	<p>The management had not opened a project account. However, the operating of a designated project account was approved in the BOD meeting held in September as the project construction is expected to</p>		

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Ref No.	Issue/Observations from Auditor	Management comments	Status	Time Frame
	<p>equivalent balances was not supported by cash book, bank certificates and bank reconciliation statements. Further, the Notes in respect to the cash and cash equivalents did not include the bank name and account number as required by the approve template. In the circumstance, the accuracy, completeness, existence of cash and cash equivalents balance of Kshs.167,205,121 could not be confirmed.</p>	<p>commence later in the year.</p>		
3	<p>Inaccuracies in the statement of Budgeted verses actual amounts</p> <p>The statement of budgeted verses actual amount reflects final income budget and actual on a comparable basis of Kshs.1,040,000,000 and Kshs.25,883,201 resulting to underfunding of an amount of Kshs.668,117,999 respectively. The statement also reflects final expenditure budget and actual on a comparable basis of Kshs.1,040,000,000 and Kshs25,883,201 resulting to under expenditure of an amount of Kshs.1,014,207,814 respectively. However, recasting the accuracy of the statement revealed underfunding and under expenditure of Kshs.1,014,116,799, respectively, resulting in unexplained and unreconciled variance of Kshs. 346,000,000 and Kshs. 91,015, respectively. Further, the individual amounts of receipts and payments and Notes to the financial statements.</p> <p>In the circumstances, the accuracy and completeness of</p>	<p>The statement of budgeted verses actual amount shows the of Kshs.668,117,999 underfunded as the project still at preparatory stage. The procurement commenced and construction expected to begin 2024/25 FY for the loan proceeds to be consumed.</p>		

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Ref No.	Issue/Observations from Auditor	Management comments	Status	Time Frame
	the amounts in the statement of budgeted versus actual amounts could not be confirmed.			
4	<p>Payments Not Related to Projects</p> <p>The statement of receipts and payments reflects purchase of goods and services figures of Kshs.18,398,447 as disclosed in Note 6 to the financial statements. However, review of the payment vouchers in respect to utilities, supplies services, hospitality and travelling of Kshs.18,398,447 revealed that the payments were not related to the project but to the activities of the implementing agency Central Rift Valley Water Works Agency which are budgeted for separately.</p> <p>In the circumstances, the accuracy and completeness of the payment of utilities, supplies services, hospitality and travelling of an amount of Kshs.18,398,447 could not be confirmed.</p>	The KFW Project construction is yet to commence. All payments made under the project are preparatory in nature as the procurement of a contractor is expected to be finalized within the financial year and construction expected in FY 2024/2025		
	<p>Delay in Design and Implementation of the Project</p> <p>The statement of receipts and payments reflects consultancy service of an amount of Kshs.7,484,754 in respect of the preparation of detailed design and tender documents, assistance to PEA in tendering process and contracting, construction, supervision and management of the Lake Nakuru biodiversity conservation project. However, review of the contract and the loan agreement documents revealed the following;</p>	The delay was as a result of an omission of the grant component in the budget to pay for the consultancy to facilitate mobilization and undertaking of the feasibility study. Hence a delay in phase I which is preparation stage. This has since been corrected though it has rolled over to the entire project. This has necessitated an approval of time of extension of. time of 73		

Ref No.	Issue/Observations from Auditor	Management comments	Status	Time Frame
	<p>(i) The detailed designs, tender for contract of works and construction phase are implementation behind schedule. behind schedule as detailed in annex 2 to the loan agreement putting the project implementation behind schedule.</p> <p>(ii) The procurement process for the identification of the contractor is still ongoing and behind schedule.</p> <p>(iii) The first repayment of the loan is due 15 May 2026. As per the time schedule in the Annex 2 of the contract document, the repayment of the first installment will be due' when defect liability period ends." The Government of Kenya will be repaying the loan when the construction phase will be still ongoing, with the current state of the procurement process still ongoing.</p> <p>Failure to implement projects as planned may have negatively impacted on delivery of goods and services to the residents of Kenya.</p>	<p>months for the whole program. The new completion date is 23rd December 2027</p> <p>procurement process commenced after getting a 'no objection' to procure under Lot I and works contracts for all Lots I, II & III was advertised on 5th October 2024</p> <p>Agency is putting together a justification of the approved time extension in order to seek for extension of the loan repayment from the National Treasury's due date of 15 May 2026 in line with the project new time extension of 23rd December 2027 to consider a later date of December 2029.</p>		
	<p>Lack of a Project Designated Bank Account The statement of financial assets and liabilities reflects cash and cash equivalents balance of Kshs. 167,205,121. However, the project does not maintain a designated bank account and its activities funded by GOK are undertaken through the implementing Agency (Central Rift Valley Water Works Development Agency) bank</p>	<p>The project did not maintain a designated bank account and its activities funded by GOK are undertaken through the implementing Agency. However, a separate bank account dedicated for project funds shall be operated as the approval of the same was granted on 22nd October 2024</p>		

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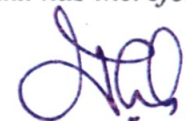
Ref No.	Issue/Observations from Auditor	Management comments	Status	Time Frame
	<p>However, the project does not maintain a designated bank account and its activities funded by GOK are undertaken through the implementing Agency (Central Rift Valley Water Works Development Agency) bank account. This is contrary to clause 1.2(j) and (h) of the subsidiary loan agreement between the government of Kenya and the agency which provides that a local and foreign currency bank accounts shall be opened for the purpose of receiving the portion of loan from the government and development partners.</p> <p>In the circumstances, the project Management was in breach of the law and further it was not possible to confirm the bank balance of Kshs. 167,205,121.</p>	<p>implementing Agency. However, a separate bank account dedicated for project funds shall be operated as the approval of the same was granted on 22nd October 2024 by the BOD.</p> <p>The KfW project agreement did not provide for operating of a special account as all the payments made by the donor are direct payments.</p>		

Remarks

The Agency has not been invited to present its Audit Report 2023/24, the above appendix has therefore not been completed



CPA Douglas Kaibos Murei
Chief Executive Officer



Eng. Joseph M Salee
Program Coordinator

Kenya Towns Sustainable Water Supply and Sanitation Program
 Statement of Budget Performance
 For the year ended June 30, 2025

Annex 2 Reconciliation of inter Entity transfer

Government Counterpart Funding	Bank statement date	Amount	FY amount relates to
	Kshs	Kshs	
Counterpart funds (2024/2025)	5/7/2024	10,000,000	2023/2024
	25/9/2024	833,333	2024/2025
	11/10/2024	833,333	2024/2025
	20/11/2024	833,333	2024/2025
	22/11/2024	833,331	2024/2025
	15/01/2025	833,333	2024/2025
	21/05/2025	833,333	2024/2025
Total		14,999,996	



Eng. Joseph Salee
Project Coordinator



CPA Grace J Bowen
Ag. GM- Finance

Annex 3—Fixed Assets Register

Annex 4 Other Support Documents

- i.** Signed Confirmation from beneficiaries in transfer to other Government entities
- ii.** Bank Reconciliation statements as at June 2025
- iii.** Board of Survey Report
- iv.** Special Deposit Account(s) reconciliation Statement(s)