

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE AUDITOR-GENERAL

ON

**NORTHERN COLLECTOR PHASE 1
AND ADDITIONAL REHABILITATION
AND DEVELOPMENT OF THE NETWORK
PROJECT (CREDIT NO. CKE 1074 01 K)**

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

**ATHI WATER WORKS DEVELOPMENT
AGENCY**

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY
OF KENYA

OF

DATE: 34 DEC 2024

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PROJECT NAME: NORTHERN COLLECTOR PHASE 1' AND ADDITIONAL REHABILITATION AND DEVELOPMENT OF THE NETWORK

[FUNDED BY AGENCE FRANCAISE DE DEVELOPMENT]

Implementing Entity: ATHI WATER WORKS DEVELOPMENT AGENCY

PROJECT CREDIT NUMBER: CKE 1074 01 K

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2024

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

**Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network
Annual Financial Statements Report
For the financial year ended June 30, 2024**

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1. Acronyms and Glossary of Terms

<u>ACRONYMS</u>	<u>DEFINITION</u>
ADF	African Development Fund
ADB	African Development Bank
Gok	Government of Kenya
RAP	Resettlement Action Plan
AWWDA	Athi Water Works Development Agency
NCWSC	Nairobi City Water and Sewerage Company
FY	Financial Year
ICT	Information and communications technology
OS	Operating safeguards
OP	Operating Policies
IPSAS	International Public Sector Accounting Standards
PSASB	Public Sector Accounting Standards Board
PFM	Public Financial Management
MDA	Ministries, Departments and Agencies.
IFMIS	Integrated financial management information systems

2. Project Information and Overall Performance

1.1 Name and registered office

Name: The project official name is Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network

Objective: The key objective of the project is to expand Nairobi water supply capacity in order to address water demand up to the year 2025 by:

- a) Increasing capacities of raw water transfer, treatment and treated water transfer of North Thika
- b) Rehabilitation and expansion of water distribution system of Nairobi
- c) Technical and Administrative strengthening of the water service provider.

Address: The project headquarters offices are in Nairobi, Kenya

The address of its registered office is:

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

Contacts: The following are the Project Contacts:

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

2.2 Project Information

Project Start Date:	The Project start date is 17 th January 2014
Original Project End Date:	The Project end date was 31-Dec-2018
Revised Project End Date	The Revised Project End date is 31 st December 2024
Project Manager:	The Project Manager is Eng. Joseph Kamau
Project Sponsor:	The Project Sponsor is the Agence Francaise De Development

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation
Project number	CK 1074
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access to clean water by 140,000m ³ /day for Nairobi City
Achievement of strategic goals	The project management aims to achieve the goals through the following means: i. Scale up the water transfer, treatment and transport capacity of Nairobi's "North Thika" drinking water supply system ii. Restructure and extend Nairobi's drinking water supply system. iii. Build the operators capacities for the technical and administrative management of the service.
Other important background information of the project	Some of the components of the project are co-financed with a loan from World Bank. The Northern Collector Tunnel was fully financed by World Bank while the Construction of Raw and Treated Water Mains is co-financed by AFD and World Bank (80:20) respectively.
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: i) Production Component The water resources Master Plan validated by the Ministerial Meeting of 18th September 2012 provides for six investment phases until the 2030 deadline. The present project corresponds to the second phase, i.e., the development of Nairobi's "North Thika" drinking water supply system (Northern Collector) by financing the following infrastructure: ▪ New tunnels and pipes to transfer raw water from the Irati, Gikigie, Maragua and Thika rivers to the existing Ndakaini reservoir or Thika dam; ▪ New pipeline (42 km-long, DN 1,300) to transfer raw water between Ndakaini reservoir (Thika dam) and the new Kigoro treatment plant; ▪ Construction of a new water treatment in Kigoro /Nairobi (treatment capacity of 141,000m³/day); ▪ New pipeline (17km-long, DN 1,000) to transfer treated water between Kigoro plant and the Kabete reservoir to the West of Nairobi. ii) Distribution Component The project will improve the drinking water supply system in the City of Nairobi by rehabilitating and extending the network and developing access to drinking water in informal neighbourhoods. The feasibility study for this component recommends reinforcing or

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Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation replacing 107km of network with a variable diameter (DN 150 to 800), rehabilitating three pumping stations and building three new reservoirs and pressure control system. The project also comprises operations to connect 180,000 residents in six informal sectors on the outskirts of the city. iii) Capacity building component This component aims to improve the technical and administrative management of the services. It will also concern administrative losses, action targeting large consumers, defective meters, billing, collection and physical losses, thanks to improved pressure control and a systematic search for undetected leaks made possible through continuous distribution
Other important background information of the project	<u>Project Financing & Component</u> The Project follows the Feasibility Study and Master Plan for developing New Water Sources for Nairobi and Satellite Towns (egis/MIBP JV, 2012) proposed a number of water sources to augment the existing sources in order to meet the present and future water demand for Nairobi metropolitan areas. The Project Financing is estimated at Euro 100 million.
Project duration	The project started on 17 th January 2014 and is expected to run until 31 st December 2024.

2.4 BANKERS

The donor funding is both through direct method and Project Account. A Project Designated Account held by the Central Bank of Kenya was opened and AWWDA has also opened a Project Account.

The following are the bankers for the current year:

1. Kenya Commercial Bank- Account No 1279693258
2. Central Bank of Kenya- Designated Account No- 1000390069

2.5 INDEPENDENT AUDITOR

The project is audited by:

The Office of the Auditor General
Anniversary Towers, University Way
P.O BOX 30084-00100
NAIROBI

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2.6 Roles and Responsibilities

Name	Title designation	Key qualification	Responsibilities
Eng. Joseph Kamau	Project coordinator	B.Sc. Civil Engineer	Accounting Officer
Eng Bonnie Nyandwaro	Project Manager	B.Sc MIEK,P.Eng	Project coordinator
Carol Owako	Project Engineer	B.Sc MIEK,P.Eng	Coordination of the day-to-day activities of the entire Program
Dickson Nyongesa	Principal Engineer	B.Sc. Civil Engineer	Coordination of the day-to-day activities
Janet Langat	Principal Procurement officer	B.B.A, MA, CIPS	Management of the Procurement functions of the program
Paul Muchai	Principal Accountant	B.com CPA 11	Management of the Finance functions of the program.

2.7 Funding summary

The project duration is Ten years running from 17th January 2014 to 31st December 2024 with an approved budget of Euros 100 million equivalent to about Kshs 11.242 billion.

The funding summary is as per the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 th June 2024)		Undrawn balance to date	
	Donor currency Euro	Kshs	Donor currency Euro	Kshs	Donor currency Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Grant						
Insert name of donor	N/A	N/A	N/A	N/A	N/A	N/A
(ii) Loan						
Proceeds from Loan from Agence Francaise Development	100,000,000	11,242,000,000	109,318,449	12,289,580,000	(9,318,449)	(1,047,580,000)
Total	100,000,000	11,242,000,000	109,318,449	12,289,580,000	(9,318,449)	(1,047,580,000)

B. Application of Funds

Application of funds	Amount received to date – (30th June 2024)		Cumulative amount paid to date – (30th June 2024)	Unutilized balance to date (30th June 2024)	
	Donor currency Euro	Kshs	Kshs	Donor currency Euro	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
N/A	N/A	N/A	N/A	N/A	N/A
(i) Loan					
Proceeds from Loan from Agence Francaise Development	109,318,449	12,289,580,000	12,358,205,017	(910,434)	(68,625,017)
Miscellaneous receipts					69,788,987
Total	109,318,449	12,289,580,000	12,358,205,017	(910,434)	1,163,970

2.8 Summary of the overall project performance

In the financial year 2023/2024 the project had a budgeted disbursement of Kshs 2.016 billion. The actual loan received as at 30th June 2024 was Ksh 2.027 billion. This represents 100% loan disbursement for the year. The project performance as at 30th June 2024 is as follows:

i) Production Component.

As at 30th June 2024, the following activities had been undertaken

- i. Final designs and construction details of the “design and build “water treatment plant was completed at 99% progress – The Water Treatment Plant is currently undergoing testing and commissioning.

ii) Distribution Component

As at 30th June 2024, the following activities had been undertaken:

Works for the construction of the 55.2 km Ndakaini- Kigoro- Gigiri transmission pipeline continued and laying of an additional 21 km of pipes was completed. Total pipes laid is 54.799 km out of the total length of 55.224 Km thus a physical progress of 99% as at 30th June 2024.

The main challenges experienced in the year included:

- i. Delay in releasing funds for VAT reimbursement
- ii. Land acquisition challenges on the treated water section from Ngethu to Gigiri.

2.9 Summary of Project Compliance:

The project performed all its activities ensuring compliance with applicable laws and regulations, and essential external financing agreements/covenants.

3 Statement of Performance Against Project's Predetermined Objectives

Introduction

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

The key development objectives of the project are to Expand water Capacity for Nairobi City through Construction of the Northern Collector Phase 1 and additional rehabilitation and developments of the networks. This will improve the access to quality water supply in Nairobi City.

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
AFD Supported Northern Collector	Expand water Capacity for Nairobi City through Construction of the Northern Collector Phase 1 and additional rehabilitation and developments of the networks	Increased Water coverage of water in Nairobi city	% Increase in water coverage in Nairobi City	In FY 2023/2024 the Water Treatment Plant was completed and 54.8Km of treated water pipelines from Ngethu to Gigiri tanks has been laid.

4 Environmental and Sustainability Reporting

4.1 Introduction

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and practices that contribute to the quality of the environment on a long-term basis as well acceptable social norms over the long term. It is also defined as the ethical obligation of companies/organizations to protect natural resources, reduce pollution and other forms of environmental harm.

It involves making decisions and taking actions that are in the interest of protecting the natural and social environment, with particular emphasis on preserving the capability of the environment to support human life and social wellbeing of communities.

As such, Athi Water Works Development Agency (AWWDA) a state corporation with key functions of Planning, development, rehabilitation and expansion of water and sanitation services infrastructure is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

It is committed to environmental conservation and protection as well as safeguarding the health and safety of workers within its premises, projects and project areas. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within the Institution's area of jurisdiction.

AWWDA has a structured way of managing the environmental and social aspects associated with its operations through the existing Environmental and Social Safeguards division with a total of 7 permanent staff.

The following elements underpin AWWDA environmental sustainability.

- Pollution prevention and resource efficiency;
- Regulatory compliance;
- Assessment and management of environmental and social risks;
- Community and impacts stakeholder engagement;
- Public consultation and
- Biodiversity conservation and sustainable management of the natural resources.

The objective of the AWWDA's environmental sustainability is therefore to promote sustainable social and economic development within the Agency's area of jurisdiction by ensuring environmental protection, social equity, and economic development. Also, to support the wellbeing of the current and future generations.

4.2 Approach

AWWDA's environmental sustainability is guided by the Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya and the Constitution of Kenya, 2010. Other legislation related to natural resources such as Water Act, forest Act, Land planning Act, National land policy etc. as well as the Occupational Health and Safety Act, 2010 are also used as guidelines.

AWWDA also complies with the other environmental requirements of International Funding Institutions such as World Bank, Africa Development Bank, French Development Bank among others.

The environmental and social safeguards standards generally include considerations for:

- Assessment and Management of Environmental and Social Risks and Impacts
- Labor and Working Conditions
- Resource Efficiency and Pollution Prevention and Management
- Community Health and Safety
- Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
- Biodiversity Conservation and Sustainable Management of Living Natural Resources
- Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
- Cultural Heritage
- Stakeholder Engagement and Information Disclosure.

4.3 Environmental and Sustainability activities

AWWDA developed and operationalized the integrated workplace environment health and safety policy statement which states the organization's commitment to protect the environment, preserve the health and safety of AWWDA employees and communities, and ensure safe development of water and sanitation infrastructure. This policy statement provides a framework for developing environmental objectives, targets and programs.

The organizational service charter also includes the environmental considerations such as the enforcement of water quality monitoring.

AWWDA subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination (Amendment) Act of 2015. This is done in order to identify both potential positive and negative impacts. The process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards.

Some of the environmental and social impact assessment reports prepared, approved and licensed by NEMA within the financial year include:

- Murang'a Water Supply Project
- Murang'a Sanitation Project
- Kiambu Water and Sanitation Project

AWWDA has in place an operational Environmental and social safeguards division within the Water and Sanitation department responsible for Environmental and Social compliance and Management. The team comprises of both sociologists and environmentalists. They are tasked with managing the Environmental and social aspects of the organization and community.

4.4 Pollution Prevention and Abatement

AWWDA Complies with various legislations related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules).

Programmes are in place to ensure that all operations are in compliance with these regulations. For instance, water abstraction permitting, effluent discharge planning and licensing, and workplace certification among others. The following are some of the measures employed by the organization to mitigate pollution

- All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.
- All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans and environmental conservation.
- All motor vehicles are being regularly serviced as per manufacturer's recommendations.
- Compliance to the Occupational, Health and Safety Act, 2007
- Conformance to EMCA (Air quality regulations), 2014
- Compliance to EMCA (Noise and Vibrations pollution control), 2009
- Compliance to the national environmental Action Plan, 2009-2013
- The penal code chapter 63.

4.5 Climate Change Mitigation and adaptation

Climate change poses a significant challenge to the water sector impacting both water quality and availability. To mitigate climate change, AWWDA advocates for environmental sustainability and maintaining the natural ecosystem services of the environment. AWWDA has also liaised with various stakeholders to ensure that all projects within its jurisdiction comply with environmental legislations, regulations and Acts. The following are some of the measures taken by the Agency to mitigate climate change:

- I. Projects such as the Rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency by reducing the amount of GHG emission into the atmosphere. Efforts are also being directed towards exploring the possibility of trapping methane gas generated from the sewerage treatment plants for energy use.
- II. Oloitoktok Water Supply project is another project that aims at mitigating climate change by utilizing solar energy in its day-to-day operations, therefore complying with the renewable energy Act, 2019.
- III. AWWDA is also implementing large and medium dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change.
- IV. Water conservation through the use of water storage tanks- The organization has donated plenty of water tanks to community projects and schools.
- V. Waste water reuse and recycling-This involves treating of waste water and directing it to rivers. Community members are able to use the water for various purposes such as irrigation.
- VI. Flood management- Projects such as NCT have been constructed to collect flood water. Therefore, increasing the availability and quantity of clean drinking water.
- VII. Tree planting- The agency has carried out various tree planting exercises as a climate change adaption measure to act as carbon sinks.

4.6 Promoting Environmental protection and conservation through partnerships with stakeholders

Kenya has experienced prolonged droughts and as a result, livestock, nature and biodiversity loss has been witnessed to a higher magnitude as compared to other decades. In response to this, the government has initiated a national tree planting and restoration campaign to raise the forest cover by 2032.

AWWDA in association with other stakeholders such as County governments, community members, WRA, NEMA, WRUA, NGOs, private sector, local administrations etc have teamed up to carry out afforestation activities within its area of jurisdiction.

The following are the tree planting exercises carried out within the FY 2023-2024.

- I. Karimenu II Dam Phase I, II & III Tree Planting Drive conducted at the project site on June 2022, 2nd December 2022 and 28th April 2023
- II. Restoration of Sasumua Water Catchment Tree Planting Campaign
- III. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted at Lamu County on 25th April 2023
- IV. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted in Nakuru, Itare Dam Water Catchment on 15th June 2023

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Table 1: Tree planting exercise FY 2023-2024

S/NO	PROJECT	NO. OF TREES	AFFORESTATION AREA	STAKEHOLDERS
I.	Karimenu II Dam- 7th December, 2023	7,500	Within the project sites. Spoil Area No.04; Administration Block, Camp 04 site, Quarry AB	Forester Nation Gatundu North & South University Students & Alumni (GUSA) Fit Nation- RODI KENYA
II.	Kigoro Water Treatment Plant- 7th December, 2023	500	Water treatment site	AWWDA, Local community
III.	Lot 1 – Construction Works for Eastern Nairobi Water and Sewer Intensification Project-17th November, 2023	200	Project site	Project teams, local community
IV.	Karimenu II Dam-12th April, 2024	3,500	Spillway sites	TAI SACCO and local community
V.	Kamiti River Riparian Restoration 19th April, 2024	5,000	WRA defined riparian areas	Kamiti Local Water Resource Users Association (WRUA) NCBA Bank, KCB Bank, Muchemi & Co. Advocates, RODI Kenya, and DANCO Capital Ltd
VI.	Kimakia Forest, Murang'a County- 3rd May, 2024	10,000	KFS Designated rehabilitation block	Kenya Forestry Services, Gatanga Sub-County, Murang'a County CO-OPERATIVE Bank, NORKEN International, RODI Kenya
VII.	Kinale Forest-17th May, 2024	20,000	KFS Designated rehabilitation block	Kenya Forestry Services, Local community, local primary and secondary schools
VIII.	Kimana Wetlands, Kajiado County-12th June, 2024	2,000	Kimana Girls Secondary School	Kimana Girls Secondary School, Oloitoktok Water Service Provider and local community
TOTAL		48,700 (in the period FY 2023/2024)		

4.7 Social economic activities

Socio-economic impact assessment

It is the systematic analysis used during EIA to identify and evaluate the potential socio-economic and cultural impacts of a proposed development on the lives and circumstances of people, their families and their communities. If such potential impacts are significant and adverse, SEIA can assist the developer, and other parties to the EIA process, find ways to reduce, remove or prevent these impacts from happening. It also contributes to the ongoing management of social issues throughout the whole project development cycle, from conception to post-closure.

AWWDA focuses on social impact assessment to enhance the benefits of projects to impacted communities. This is also necessary for the project to earn its 'social license to operate'.

Enhancing benefits covers a range of issues, including: modifying project infrastructure to ensure it can also service local community needs; providing social investment funding to support local social sustainable development and community visioning processes to establish strategic community development plans; a genuine commitment to maximizing opportunities for local content (i.e. jobs for local people and local procurement) by removing barriers to entry to make it possible for local enterprises to supply goods and services; and by providing training and support to local people.

Where people's assets and properties are affected, AWWDA ensures that there is prior and informed consent from the project affected persons; that there is prompt and adequate compensation for any loss; and where people are resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

Other social sustainability activities include:

- i. Stakeholder engagement and public participation
- ii. Livelihood restoration
- iii. Community benefits/ projects
- iv. Economic development through initiatives such as ablution blocks that are handed over to CBOs

4.8 Environmental monitoring and reporting

AWWDA has established various mechanisms of tracking the performance of Environment, Health and Safety (EHS) for the various projects under implementation. Project implementation units are at the fore front of ensuring compliance to EHS. Monthly/quarterly and annual reports, site inspections, EHS monthly meetings, EHS committees and audits form part of EHS monitoring and reporting.

4.9 EHS committees, inspections and audits

The environment and social safeguard unit has established an EHS committee for each project whose main objective is to carry out routine inspections on specific sites with a view to check the contractor's level of EHS compliancy. This includes conformity to Occupational Health and Safety guidelines and the Environmental Management and Coordination (Amendment) Act of 2015. The EHS committee also carries out periodic environmental audits which informs the contractor on his level of compliance and the improvements that need to be done in order to maintain a safe workplace and promote environmental and social sustainability of the project.

The EHS Committees also holds monthly EHS meeting on site. These meetings are informed by the cumulative inspections carried out during that month. The output of the meetings is a monthly EHS performance and monitoring report that enables AWWDA to keep track of the project's EHS performance.

4.10 Environmental and social sustainability management systems

AWWDA aims at managing the various environmental and social aspects associated with different projects under implementation by developing and implementing project specific management and monitoring plans.

4.10.1 Environmental and Social Management Plans

An Environmental and Social Management Plan (ESMP) provides the remedial measures to be taken, the responsible person(s) for execution, and the monitoring activities to be undertaken during the construction, operational and decommissioning phases.

An indication of the timing for implementation and the cost involved is also provided. It is a practical and achievable plan of management to ensure that any environmental impacts during the design, planning and construction phase are minimized. All contractors working with AWWDA submits an ESMP for their respective projects to AWWDA for review. AWWDA ensures that the ESMP is implemented at each phase of the project in order to minimize harmful occurrences to the environment, community members and the employees.

4.10.2 Health and Safety Management Plans

In accordance with the requirements of the Occupational Safety and Health Act 2007, a Health and Safety Management Plan (HESMP) is prepared for each project being implemented by AWWDA. The objective of a HESMP is to establish safe working practices and standards, which are employed on site and to detail the organizational requirements and obligations of the contractor.

4.10.3 Grievance redress mechanism

AWWDA recognizes the need for a Grievance Redress mechanism (GRM) throughout the project implementation period to identify disputes in good time and allow for them to be resolved in a transparent and accountable manner. Compensation based disputes are issues likely to occur during and after project implementation period, hence the need for GRM system.

The need for a GRM is obligated by the Land Act 2012 which recognizes the right of the affected persons to refer their disputes to the Land and Environment Court, while the Land Policy advocates for negotiation, mediation and arbitration to reduce the number of cases that end up in the court system and delayed justice. Similarly, project financing institutions guidelines and policies also call for appropriate and accessible grievance handling mechanisms for project affected persons.

4.10.4 Gender Mainstreaming

Gender mainstreaming involves the integration of gender perspective into the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and programmes, with a view to promoting equality between women and men, and combating discrimination.

AWWDA and its many projects have both male and female employees. The organization has identified the following measures to enhance gender mainstreaming

- Both male and female employees are involved in decision making
- Equal access to and utilisation of services
- Use of gender sensitive information
- Equal treatment is integrated for both men and women is practised

4.10.5 Prevention of gender-based violence

AWWDA is integrating GBV trainings within the work sites to ensure that cases of sexual harassment and sexual exploitation and abuse within the work places are mitigated against. AWWDA has a GBV committee which is championing this together with a number of consultants who undertake sensitization activities. This will ensure that cases of sexual harassment are reported and that women/men will not fear reporting such cases due to fear of victimization.

The following table summarises the climate relevant expenditure FY 2023-2024.

4.11 Conclusion

AWWDA is committed to Environmental Conservation and safeguard of the Health and Safety of employees as well as communities within the organization's areas of operation. The Agency continuously works towards compliance with the national laws as well as international best practices relevant to the environmental and social safeguards to ensure sustainability.

4.1 Employee welfare

The project management is by AWWDA staff and therefore the entity's employee welfare policies and guidelines apply as detailed below:

AWWDA has developed an approved Human Resource Instruments in which one of the guidelines is a comprehensive Human Resource Policy and Procedures Manual which is the primary document in the management of the Human Resources at the Agency. The document contains provisions for managing the entire scope of Human Resource Management and Development cycle.

It generally guides the implementation of the policies and decision making at various levels within the Agency on matters human capital. The policy provision covers the entire recruitment process, pay and benefits, employee relations, performance management, training & development and the health and safety issues. in consideration of the affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalized communities in all aspects of human resources dynamics.

Under the career development, AWWDA has a comprehensive career progression document that outlines employee succession plans including requirements for internal promotions and the external engagements where talents may be required within its establishment. This is an instrument that outlines job descriptions for each cadre of employee. Together with the annual departmental work plans and the Government's performance contracting tool enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency to be up skilled, helped or otherwise redeployed and up scaled.

The Agency also recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters. The policies and programmes are implemented in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

4.2 Market place practices-

AWWDA has ensured that responsible competition practices within the Agency are practised by promoting ethical behaviour, transparency, and compliance with relevant laws and regulations i.e., PPADA ACT 2015 and its Attendant Regulations, Multilateral and Bilateral Rules and Procedures governing Procurement of Goods Works and Services, The Executive Orders and Circulars issued from time to time by the NT, and Regulator PPRA. To address issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors, the Agency has implemented several key measures:

a) **Responsible Supply chain and supplier relations-**

Client and Employer alliance is key towards delivery of projects, AWWDA has overtime honored contracts and respected payment practices as a good business practice and treating suppliers responsibly as an essential aspect of building strong, sustainable, and ethical business relationships: Some of the practices include:

- **Contract Negotiation:** The Agency engages in fair and transparent contract negotiations with its suppliers with a view of having a win-win position. Contracts clearly outline the terms and conditions, including the scope of work, pricing, delivery schedules, quality requirements, and any other relevant details that favor and are sustainable to both parties.
- **Compliance with Contract Terms:** Once contracts are entered into, the Agency adheres to the agreed-upon terms. This includes fulfilling its obligations on timely payments by ensuring prompt and timely payment to suppliers, consultants and contractors to maintain a good relationship. Delays in payments can cause financial strain on these service providers, impacting their ability to implement projects efficiently.
- **Clear Payment Policies:** In compliance with the Agency's service charter, there are clear payment policies that specify payment terms, methods, and timelines which are agreed upon during contract negotiations.
- **Automated Payment Systems:** The agency has Implemented automated payment systems ERP that streamline the payment process, reducing the chances of errors and delays.
- **Communication and Transparency:** Maintaining open and transparent communication with suppliers. If any payment delays are anticipated, the organization informs the suppliers in advance and works together to find a mutually acceptable solution.
- **Early Payment Programs:** The agency offers early advance payments to suppliers who may benefit from faster access to funds upon the provision of an advance payment guarantee. YWPLD are major beneficiaries to this program as part of mainstreaming in public procurement.
- **Supplier Diversity and Inclusion:** The agency practices supplier diversity and inclusion by providing opportunities to small and minority-owned businesses. (YAGPO Groups) by allocating 30% of its procurement budget annually.
- **Supplier Performance Evaluation:** Regularly evaluating supplier performance to ensure that they meet the agreed-upon standards. Feedback on performance helps suppliers improve their processes, ultimately benefiting both parties.
- **Conflict Resolution Mechanism:** The agency has in place a conflict resolution mechanism to address any disputes or disagreements with suppliers and contractors promptly and fairly.

By implementing these measures, the Agency has created a strong foundation for responsible competition practices, fostering trust among stakeholders and contributing to a sustainable and ethical business environment.

b) Responsible ethical practices

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

- **Code of Conduct and Ethics:** The Agency has established a comprehensive code of conduct that clearly outlines the expected behaviour of all staff in the institution and for Supply Chain Management staff the practising license issued by KISM explicitly prohibits corrupt practices, bribery, and unethical behaviour and ensures compliance by all stakeholders. The license also ensures that the supply chain staff are in good standing prior to renewal.
- **Compliance Reports:** The Agency Prepares statutory compliance reports to the Various Regulatory Bodies i.e., PPRA, NT, and EACC and reports all the awarded contracts through the PPIP Portal (Public Procurement and Information Portal) which is accessible by the public with disclosures of Beneficial Ownership Information for all awarded contracts.
- **Anti-Corruption Policies:** The Agency implements policies to prevent corruption, such as anti-bribery and anti-money laundering policies. These programs include training on anti-corruption measures and responsible political involvement which is a continuous exercise.
- **Fair Competition Practices:** The Agency promotes fair competition and adheres to antitrust laws to prevent monopolistic behaviour, price-fixing, bid-rigging, or other practices that harm competition by issuing Requests for Quotations to multiple suppliers in its registered list. For large complex and large contracts, competition is promoted through open competitive bidding for both National and International bidders based on the threshold.
- **Internal Controls and Audits:** The Agency implements internal controls and conducts regular Internal Audits, External Audits and ISO audits to monitor compliance with policies and identify any potential violations. Observations and recommendations from these audits are implemented to improve and ensure best practices within internal processes.

c) Regulatory impact assessment

AWWDA has ensured that responsible engagement with its stakeholders is practised within the Agency as well as with our external stakeholders by promoting transparency and compliance with relevant laws and regulations through various measures as follows:

- **Supplier Appraisals and Sensitization Workshops:** The Agency conducts annual Sensitization workshops and due diligence on suppliers and business partners to ensure that they adhere to

responsible business practices these safeguards both parties' interests as it keeps the public informed on the programs and projects undertaken by the Agency as well as the expectation of the potential suppliers in order to qualify for the available opportunities.

- Training and Awareness on the PPADA ACT 2015 and Ethics: For the purpose of keeping staff, Board Members and Suppliers informed of the most recent ethical standards, compliance requirements and best practices, the Agency undertakes training and awareness on PPADA Act and ethical and integrity practices.
- Implementation of a Robust Service Charter - that attends to the needs of both internal and external customers prudently to avert any delays in responses to queries and clarifications that may arise during the bidding period for procurement of goods, works and services by the Agency thus ensuring its stakeholders are properly informed at all times.
- Clear and Comprehensive Advertisements - The Agency places its adverts for opportunities in the print media and its websites as well as the Public Procurement website (www.tenders.go.ke) which are based on accurate and verifiable information about the projects being implemented by the Agency, this is in line with provisions of section 74 of the PPAD Act and its attendant regulations. The Adverts are also detailed and clearly indicate the contact details for purposes of clarification and the mode of submission of tenders by specifying whether the submission shall be done electronically or manually. Adverts relating to preference and reservations scheme state that such tenders are reserved specifically for small and micro enterprises and for disadvantaged groups registered with the National Treasury or regions, as appropriate.
- By publishing most opportunities this enhances competition and ensures value for money in the procurement processes.
- Disclosure of Awarded Contracts in the PPIP (Public Procurement Information Portal)
- The Public Procurement Information Portal is an online platform provided by Public Procurement Regulatory Authority (PPRA) for publication of contract awards and tender notices by Procuring Entities. This enhances transparency and accountability to Stakeholders.

By following these principles and practices, AWWDA has built trust with their target audience, demonstrated ethical conduct, and contributed to a more responsible and sustainable marketing and advertising landscape through the advertisement of all tender opportunities either in the print media, website or its social media platforms hence safeguarding citizen and stakeholder's rights through regular and comprehensive engagements.

4.3 Community Engagements

During the 2023/2024FY AWWDA continued to ensure enhanced access to water across our area of jurisdiction.

**Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network
Annual Financial Statements Report
For the financial year ended June 30, 2024**

5 Statement of Project Management Responsibilities

The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for the Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2024.

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 AWWDA and the Project Coordinator for the Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network 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 AWWDA and the Project Coordinator for the Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) 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 period ended June 30, 2024, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer AWWDA and the Project Coordinator for the Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network 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 period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

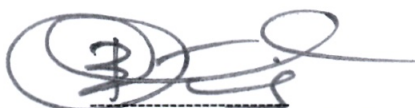
Approval of the Project Financial statements

The Project financial statements were approved by the Chief Executive Officer Athi Water Works Development Agency and the Project Coordinator for the Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network on 13th September, 2024 and signed by them.



Chief Executive Officer
Name: Eng. Joseph Kamau

Date



Project Manager
Name: Eng Bonnie Nyandwaro

Date



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

REPUBLIC OF KENYA

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Enhancing Accountability

HEADQUARTERS
Anniversary Towers
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P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NORTHERN COLLECTOR PHASE 1 AND ADDITIONAL REHABILITATION AND DEVELOPMENT OF THE NETWORK PROJECT (CREDIT NO. CKE 1074 01 K) FOR THE YEAR ENDED 30 JUNE, 2024 - ATHI WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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 does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Northern Collector Phase 1 and Additional Rehabilitation and Development of the Network Project set out on pages 1 to

20, which comprise of the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Northern Collector Phase 1 and Additional Rehabilitation and Development of the Network Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.CKE 1074 01 K dated 17 January, 2014 between Agence Francaise De Development and the Republic of Kenya and the Public Finance Management Act, 2012.

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

Basis for Qualified Opinion

Inaccuracy in the Financial Statements

The statement of receipts and payments reflects a comparative amount of Kshs.2,958,437,322 in respect of acquisition of non-financial assets. However, the corresponding Note 8 to the financial statements reflects an amount of Kshs.2,957,535,110 resulting to an unexplained variance of Kshs.902,212.

In the circumstances, the accuracy of the comparative amount of Kshs.2,958,437,322 in respect of acquisition of non-financial assets could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Northern Collector Phase 1 and Additional Rehabilitation and Development of the Network Project 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. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Although Management has indicated that the issues have been resolved, evidence on how the issues were resolved was not provided.

Other Information

The Project Management is responsible for the other information set out on page iv to xxii which comprise of Project Information and Overall Performance, Statement 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 Northern Collector Phase 1 and Additional Rehabilitation and Development of the Network Project financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Compliance with Loan Guidelines in Disbursement of Loan/GOK Transfers

1.1. Failure to Make Provision for Loan Repayment

Athi Water Works Development Agency, the implementing Agency of the Network project, did not provide evidence indicating how the Nairobi City Water and Sewerage Company; the final beneficiary of the water made an annual provision for repayment of the loan advanced towards improved and reliable water supply to the City. This was contrary to Clause 11.14 (other undertakings) of the AFD Credit Facility Agreement No. CKE 1074

01 K, which requires the borrower to ensure that an annual provision is maintained for repayment of the loan.

In the circumstances, the Agency is in breach of contractual obligations with the project financier and Agency is not likely to meet the loan repayment obligations on maturity.

1.2. Finance Charges and Penalties on Delayed Payments

During the year under review, the Project incurred finance charges amounting to €17,084.36 and Kshs.348,970 as a result of delay in settlement of certified and invoiced works. The charges were levied in accordance with Clause 14.8 of the contract for the construction of the Kigoro Water Treatment Plant dated September 2016 which stated that, if the contractor does not receive payment in accordance with Sub clause 14.7 the contractor shall be entitled to receive financing charges compounded monthly on the amount and paid during the period of delay.

In the circumstances, Management was in breach of the law. In addition, there was no value for money on the avoidable finance charges amounting to €17,084.36 and Kshs.348,970.

2. Delay in Compensation of Persons Affected by the Project

Review of documents provided revealed that thirteen (13) land owners are yet to be fully compensated, twelve (12) persons compensated at 75% and one (1) affected person not yet compensated for land acquired by Athi Water Works Development Agency for the development of the Project. Further, twenty-five (25) land owners are yet to be compensated for wayleave. This was contrary to Section 111 of the Land Act, 2012 which provides that, if land is acquired compulsorily under this Act, just compensation shall be paid promptly in full to all persons whose interests in the land have been determined. Although Management attributes delay to succession issues and land ownership disputes no evidence was provided for audit.

In the circumstances, Management is in breach of the law and delay in land compensation may result in delay in project implementation.

3. Failure to Remitted Value Added Tax Deductions

During the year under review, the Agency made payments of Kshs.934,499,969 to a construction company for laying, joining, testing and commissioning water pipeline. An additional amount of Kshs.7,774,972 was paid to a joint venture for the construction of Kigoro Water Treatment Plant (Muranga County). However, the Agency did not remit Value Added Tax (VAT) totalling to Kshs.516,658,649 to the Kenya Revenue Authority. This was contrary to Section 23(2)(a) of the Public Finance Management (National Government) Regulations, 2015, which requires Accounting Officers to comply with all tax obligations, levies, duties, pension commitments, and audit requirements as stipulated by legislation.

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

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 ISSAIs 2315 and 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

As required by Agence Francaise Development (AFD), I report based on my audit, that:

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

Responsibilities of the Management and those Charged with Governance

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as the 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, the 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 the Management is aware of the intention to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also 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

24 October, 2024

Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network
Annual Financial Statements Report
For the financial year ended June 30, 2024

7 Statement of Receipts and Payments for the year ended 30th June 2024

	Note	FY 2023/2024			FY 2022/2023			Cumulative to-date
		Receipts and payments controlled by the Entity (Kshs)	Payments made by Third Parties (Kshs)	Total (Kshs)	Receipts and payments controlled by the Entity (Kshs)	Payments made by Third Parties (Kshs)	Total (Kshs)	Kshs
RECEIPTS								
Transfer from Government Entities	1	-	-	-	-	-	-	-
Proceeds from Domestic and Foreign Grants	2	-	-	-	-	-	-	-
Loan from External Development Partners	3	1,031,378,410	995,884,177	2,027,262,587	1,078,323,840	1,729,733,754	2,808,057,594	12,289,580,000
Miscellaneous Receipts	4	9,054,425	-	9,054,425	3,704,798	-	3,704,798	69,788,987
TOTAL RECEIPTS		1,040,432,835	995,884,177	2,036,317,012	1,082,028,638	1,729,733,754	2,811,762,392	12,359,368,987
							-	-
Payments								
Compensation to employees	5	-	-	-	-	-	-	-
Purchase of Goods and Services	6	-	-	-	-	-	-	91,248,378
Social security benefits	7	-	-	-	-	-	-	-
Acquisition of Non-Financial Assets	8	1,038,935,858	995,884,177	2,034,820,035	1,228,703,568	1,729,733,754	2,958,437,322	12,264,115,975
Other Grants and Transfers and Payments	10	1,440,657	-	1,440,657	574,959	-	574,959	2,840,667
TOTAL PAYMENTS		1,040,376,515	995,884,177	2,036,260,692	1,229,278,527	1,729,733,754	2,959,012,281	12,358,205,017
SURPLUS/DEFICIT		56,320	-	56,320	(147,249,889)	-	(147,249,889)	1,163,970

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



Chief Executive Officer
Name: Eng. Joseph Kamau



Project Manager
Name: Eng Bonnie Nyandwaro



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

Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network
Annual Financial Statements Report
For the financial year ended June 30, 2024

8 Statement of Financial Assets and Liabilities as at 30th June 2024

		2023/2024	2022/2023
FINANCIAL ASSETS	Note	Ksh	Ksh
Cash and Cash equivalents			
Cash and Cash equivalents	11	1,163,970	1,107,649
Imprest and Advances	12	-	-
Total Financial Assets (A)		1,163,970	1,107,649
Financial Liabilities			
Third Party Deposits and Retentions	13	-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		1,163,970	1,107,649
Represented By:			
Fund balance b/fwd	14	1,107,649	148,357,539
Prior Year Adjustments	15	-	-
Surplus/Deficit for the period		56,321	(147,249,890)
Net Financial Assets		1,163,970	1,107,649

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved 13th September, 2024 and signed by:



Chief Executive Officer
Name: Eng. Joseph Kamau



Project Manager
Name: Eng Bonnie Nyandwaro



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

Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network
Annual Financial Statements Report
For the financial year ended June 30, 2024

9. Statement of Cashflow for the period 30th June 2024

	Note	2023/2024 Kshs	2022/2023 Kshs
Receipts from operating activities			
Transfer from Government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	9,054,425	3,704,798
Subtotal		9,054,425	3,704,798
Payments for operating activities			
Compensation of employees	5	-	-
Purchase of Goods and Services	6	-	-
Social security benefits	7	-	-
9Transfers to other government entities	9	-	-
Other grants and transfers	10	1,440,657	574,959
Subtotal		1,440,657	574,959
Net cash flow from operating activities		7,613,768	3,129,839
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	8	(2,034,820,035)	(2,958,437,322)
Net cash flows from Investing Activities		(2,034,820,035)	(2,958,437,322)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	2,027,262,587	2,808,057,594
Net cash flow from financing activities		2,027,262,587	2,808,057,594
NET INCREASE IN CASH AND CASH EQUIVALENT		56,321	(147,249,889)
Cash and cash equivalent at BEGINNING of the year	14	1,107,649	148,357,539
Cash and cash equivalent at END of the year		1,163,970	1,107,649

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 13th September, 2024 and signed by:



Chief Executive Officer
Name: Eng. Joseph Kamau



Project Manager
Name: Eng Bonnie Nyandwaro



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

Northern Collector Phase 1' and Additional Rehabilitation and Development of the Network
Annual Financial Statements Report
For the financial year ended June 30, 2024

10. Statement of Comparative Budget and actual amounts for the year ended 30th June 2024

Receipts/Payments Item	Original Budget in Kshs	Adjustments Kshs	Final Budget Kshs	Actual on Comparable Basis Kshs	Variance Kshs	% of Variance
	a	b	c=a+b	d	e=d-c	f=e/c %
Receipts						
Proceeds from borrowings	790,000,000	1,226,000,000	2,016,000,000	2,027,262,587	11,262,587	1%
Miscellaneous receipts	-	9,000,000	9,000,000	9,054,425	54,425	1%
Fund balance B/F	-	1,107,649	1,107,649	1,107,649	-	
Total Receipts	790,000,000	1,236,107,649	2,026,107,649	2,037,424,662	11,317,013	1%
Payments						
Goods and Services	0	-	-	-	-	
Works	790,000,000	1,236,107,649	2,026,107,649	2,034,820,035	8,712,386	0%
Other grants and transfers				1,440,657	1,440,657	
Total Payments	790,000,000	1,236,107,649	2,026,107,649	2,036,260,692	10,153,043	1%
Surplus/Deficit	-	-	-	1,163,970	1,163,970	



Chief Executive Officer
Name: Eng. Joseph Kamau



Project Manager
Name: Eng Bonnie Nyandwaro



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

11. Significant Accounting Policies

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

a. Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

b. Reporting entity

The financial statements are for the Northern Collector Phase 1: Water Supply Extension Project and additional Rehabilitation and Development of the Network under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

c. Reporting currency

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

d. Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other Receipts

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

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in

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kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

e. Recognition of payments

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

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

i) Use of goods and services

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

ii) Interest on borrowing

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

iii) Repayment of borrowing (principal amount)

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

iv) Acquisition of fixed assets

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

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

f. In-kind donations

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

g. Cash and cash equivalents

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

h. Restriction on cash

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

i. Imprests and Advances

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

j. Contingent Liabilities

A contingent liability is:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

A present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Annex 6 of this financial statement is a register of the contingent liabilities in the year.

k. Contingent Assets

Athi Water Works Development Agency 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 AWWDA in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

m. Budget

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

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

n. Third party payments

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

During the year Kshs 995,884,176 being loan disbursements were received in form of direct payments from third parties.

o. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the

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functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

p. Comparative figures

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

q. Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

r. Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments on the financial statements for the year ended June 30, 2024.

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12. Notes to the Financial Statements

1. Transfers from Government entities

There were no transfers from Government entities

2. Proceeds From Domestic and Foreign Grants

The details of the GOK counterpart are as given under other important disclosures (18.5). There were no other Proceeds from Foreign Grants during the year.

3. Loan From External Development Partners

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs
				Kshs	FY 2023/2024
Loans Received from Bilateral Donors (Foreign Governments)		Euros "000"	Kshs "000"	Kshs "000"	Kshs "000"
Insert name of foreign Government	N/A	N/A	N/A	N/A	
Loans Received from Multilateral Donors- (International Organizations)					
AFD	2015/2016	5,755	330,000	316,830	646,830
AFD	2016/2017	20,465	-	2,300,224	2,300,224
AFD	2017/2018	10,934	366,600	862,414	1,229,014
AFD	2018/2019	11,809	-	1,327,294	1,327,294
AFD	2019/2020	7,811	241,300	636,705	878,005
AFD	2020/2021	5,245	-	589,563	589,563
AFD	2021/2022	4,301	120,480	362,908	483,388
AFD	2022/2023	15,391	-	1,730,000	1,730,000
GOK	2022/2023	9,591		1,078,000	1,078,000
AFD	2023/2024	18,036	1,031,378	995,884	2,027,262
Total		109,338	2,089,758	10,199,822	12,289,580

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4. Miscellaneous Receipts

	FY 2023/2024		FY 2022/2023		Cumulative to-date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Receipts controlled by the entity in Cash	Receipts controlled by third parties	
	Kshs		Kshs		Kshs
Administrative fees and charges	N/A	N/A	N/A	N/A	N/A
Other receipts –Interest on Bank Deposits	9,054,425	-	3,704,798	-	69,788,987
Total	9,054,425	-	3,704,798	-	69,788,987

5. Compensation to Employees

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

6. Purchase of Goods and Services

	2023/24			2022/2023	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date
	Kshs	Kshs	Kshs	Kshs	Kshs
Purchase of Goods	-		-	-	91,248,378
Total	-	-	-	-	91,248,378

7. Social Security Benefits

There was no social security benefit cost relating to the project in the reporting period.

8. Acquisition of Non-Financial Assets

	FY 2023/2024			FY 2022/2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	947,307,465	995,884,177	1,943,191,642	2,860,664,794	11,122,077,133
Consultancies	91,628,393		91,628,393	96,870,317	1,142,038,842
Total	1,038,935,858	995,884,177	2,034,820,035	2,957,535,110	12,264,115,975

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9. Transfers to other Government Entities

During the 12 months to 30th June 2024, there were no transfers made to other agencies.

10. Other Grants and Transfers and Payments

This represents Bank charges for the Project Account.

	2023/2024			2022/2023	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	Kshs	Kshs	Kshs	Kshs	
Bank charges	1,440,657	-	1,440,657	574,959	2,899,012
Total	1,440,657	-	1,440,657	574,959	2,899,012

11. Cash and Cash Equivalents Carried Forward

	2023/24	2022/23
	Kshs	Kshs
Bank accounts (Note 8.13A) KCB Account No 1156760372	1,163,970	1,107,649
Cash in hand (Note 8. 13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
Total	1,163,970	1,107,649

The reported cash balances represent disbursement from the special Account held with Kenya commercial Bank

11 A Bank Accounts

Project Bank Accounts

	2023/24	2022/23
	Kshs	Kshs
Local Currency Accounts		
KCB Account No 1156760372	1,163,970	1,107,649
Total local currency balances	1,163,970	1,107,649
Total bank account balances	1,163,970	1,107,649

The project funds are held in Kenya Commercial Bank

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2024 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

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

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Special Deposit Accounts Movement Schedule

Description	FY 2023/2024	FY 2022/2023
	Euro	Euro
(i) Northern Collector Phase 1: Water Supply Extension Project [A/c No. 10004390069]		
Opening balance	-	-
Total amount deposited in the account	13,014,447	-
Total amount withdrawn (as per Statement of Receipts & Payments)	11,659,000	-
Closing balance (as per SDA bank account reconciliation attached)	1,355,447	-

The Special Deposit Account reconciliation statement has been attached as Appendix 9 (iii) to support this closing balance.

11 B Cash Balances

There was no cash in hand relating to the project as at 30th June 2024

11.C Cash equivalents (short-term deposits)

There were no cash deposits related to the project

12. Imprests and Advances

There were no account receivables relating to the project as at 30th June 2024

13. Deposits and Retention Monies

There were no Deposits and retention

14. Fund Balance Brought Forward

Description	2023/24	2022/23
	Kshs	Kshs
Bank accounts	1,107,649	148,357,539
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances		-
Total	1,107,649	148,357,539

15. Prior Year Adjustment

The project did not have any prior year adjustment during the 2023/2024FY

16. Changes In Receivable

There were no changes in receivable during the year.

17. Changes In Accounts Payable

There were no changes in receivable during the year

Other Important Disclosures

18.1 Pending Accounts Payable (See Annex 2a)

The project did not have any pending accounts payables relating to staff costs

18.2 Pending Staff Payables (See Annex 2b)

The project did not have any payables relating to staff costs

18.3 Other Pending Payables (See Annex 2c)

During the year under review the project did not have other pending payables

18.4 External Assistance

During the year under review, the project did not get any external assistance

a) External assistance relating loans and grants

N/A

b) Undrawn external assistance

N/A

c) Classes of providers of external assistance

N/A

d) Non-monetary external assistance

N/A

e) Purpose and use of external assistance

N/A

f) External Assistance paid by third parties on behalf of (the Entity) by Source

N/A

18.5 GoK Counterpart contribution to the project

During the year under review the Project received a total of Kshs 35 million. These amounts were utilized to pay for VAT. Due to Donor requirements to not to include GOK counterparts in the project financial reports, these amounts are incorporated in the institutional financial reports.

18. Prior Year Auditor General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Non-inclusion of the GoK funding in the Financial Statements	The financial statements under review did not include the portion of the government contribution to the project in the approved budget of Kshs.1,249,000,000 whereas the actual amount received for the period was Kshs.775,161,950.33. It's also not clear how the undisbursed balance of Kshs.473,838,049.67 was accounted for.	The Northern Collector Project is 80% financed by the by Agence Française développement (AFD) and 20% by the World Bank with the Government of Kenya contributing funds to cater for payment of Resettlement Action Plan and VAT. As per the Printed Estimates for the FY 2022/2023, the GOK allocation for the Project was Ksh 1,249,000,000. During Supplementary 2 budget this amount was reduced to Ksh 749,000,000. The total amount received was therefore Ksh 749,000,000 and not Kshs.775,161,950.33 Out of the funds received Ksh 312,250,000.00 was transferred to the National Land Commission for acquisition of wayleaves along the Ngethu-Gigiri Pipeline while Kshs 312,315,552.58 was used to pay for VAT and other Expenditure related to the Project. A fund accountability Statement on all receipts and payments is maintained. As has been the Donor requirements over the years, the Project Account statements only report for funds received from the Donors while the funds	Eng. Joseph Kamau CEO AWWDA	Resolved	December 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		received from GOK forms part of the institutional Financial Statements. The disclosure has been made Project Account Note 18.5.			
Other matters 1. Budgetary Control and Performance	The Statement of Comparative Budget and Actual Amounts for the year ended 30th June 2023 reflects total receipts budget and actual on a comparable basis of Kshs.3,729,181,379 and Kshs.2,960,119,931 respectively. Further, the statement reflects actual total expenditure of Kshs.2,959,012,281 against a budgeted amount of Kshs.3,729,181, resulting in an underutilization of 21% of the budget. The underutilization may affect the planned activities and impact negatively on service delivery to the public.	The under absorption by the project was caused by the court cases by land owners due to family disputes and succession issues on the land identified for project implementation. Most of this have been resolved and the families have allowed the agency access to the land and this will increase the absorption and the project will be completed by 31st December 2023.	Eng. Joseph Kamau CEO AWWDA	Resolved	December 2023
2.Failure to maintain separate Bank Account	The Project Management did not maintain a specific Project Account for the Government of Kenya contribution to the Project funds as funds received were credited to the Agency's development bank account instead of a separate project account. It was therefore not possible to trace the receipts to the cash book and in the bank statement. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides for the purpose of disbursement of project funds, there shall be opened and	During the year under review AWWDA made a request to open bank accounts for the various projects. The Funds were maintained in the development account since the project was coming to an end in December 2023, it was deemed not necessary to open a separate bank account for the Project. We confirm that AWWDA opened separate Bank Accounts for all other Project Accounts that are under implementation and will run for a number of years.	Michael Kimotho Director-Finance AWWDA	Fully Resolved	December 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	maintained a Project account for every project at the Central Bank of Kenya unless it is exempted by Cabinet Secretary in writing into which the funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account.				
Low utilisation of Kigoro Water Treatment Plant	The contract works for the construction of the Kigoro Water Treatment Plant was awarded to M/s Suez International (Ex Degremont Sas) and Sogea Satom JV vide Contract No AWSB/AFD/DB/WKTP/2014 at the sum of Kshs.1,116,019,524.52 and Euros 32,272,190 inclusive of tax. The Contract commencement date was 16th May 2016 with the completion date 16th May 2018. As of 30 October 2020, the construction works at the treatment works were substantially complete and the plant was ready for commissioning. Physical Verification conducted on 4th October 2023 revealed that the plant was only operating intermittently at about 30% supplying water to the Ngethu Treatment Plant for a period of Thirty-six (36) Months since its completion date. Despite the limited	The Kigoro water treatment plant was completed before the completion of the Construction of Raw and Treated Water Mains as the pipelines contract faced various challenges especially on acquisition of wayleaves and court orders to stop the works due to compensation related issues. The raw water mains and Kigoro Water Treatment Plant has been completed and commissioned. The treated water pipeline from Kigoro to Gigiri is now complete.	Eng. Joseph Kamau CEO AWWDA	Resolved The construction of the Raw and Treated Water Mains pipeline is now complete and the plant is operating at 70%.	December 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	use, the plant was estimated to incur the monthly cost of operation of the treatment plant of about Kshs10.5 million. This includes the indirect cost of electricity for running and maintenance of electro-mechanical equipment and the entire plant, the administrative costs for the personnel salaries, and other operating expenses. Under the circumstances, the treatment plant will continue to incur extra costs at the expense of the Agency if the pipe laying from Kigoro to Gigiri is not complete. Further, the contractor for the water treatment plant charged Euros 341,166.01 about Kshs.53,000,000 'Cocooning' charges due to delay in the implementation of other complementary phases.				
3.Delay in Compensation of the People Affected by the Project (PAPS)	An audit review of the documents provided shows that 14 land owners are yet to be fully compensated (12 persons compensated at about 75%, 1 PAP not compensated for land acquired by AWWDA while 19 land owners for wayleave are pending compensation. The reasons provided for the delay include lack of ownership records and family disputes, AWWDA has had adequate time and resources to address the matter legally but has not finalized the process. This has	AWWDA has been liaising with the pending unpaid affected persons to clear their reasons for non-payment. Succession is the main reason for lack of proper ownership documents which is handled by the court and as such AWWDA has to wait for the process be finalized. This guides on the appointment of the appropriate administrator who transacts on behalf of the property. In addition, for family related disputes in court, AWWDA awaits conclusion of the cases to facilitate disbursement as guided by the rulings.	Eng. Joseph Kamau CEO AWWDA	AWWDA has opened an Escrow Account to deposit funds for the unpaid PAPs to be paid internally. All funds for compensation for land has been deposited to NLC be disbursed fully when the families	December 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	resulted in unnecessary delays in project implementation.	The Funds for compensation are with NLC and will be disbursed fully when the families resolve the disputes.		resolve the disputes.	
4. Delay in Implementation of Ablution Blocks Project	The statements of receipts and payments reflects the acquisition of non-financial assets payments totalling Kshs.2,957,437,535,110. The balance includes an amount of Ksh 2,860,664,794 in respect of Construction works as disclosed in Note 8 to the financial Statements, out of which Ksh 50,414,880 was paid to a contractor for the construction of ten (10) sanitation blocks within Nairobi Informal Settlements in Kawangware, Mukuru kwa Reuben, Kibera, Huruma and Mathare. The Contract was awarded to a contractor at an original contract of Ksh 70,631,818.26. The date of commencement was 18th May, 2018 for one year period ending 17th May 2019. However, the project experienced delays in its implementation which led to an extension of the contract period to 14 December 2022, and the cost increased to Kshs. 85,823,572.97., an increase of 22% of the initial contract sum.	The project initial experienced delays in site acquisition and approval processes that are out of AWWDA's control. These were being undertaken by the Nairobi County Government, nonetheless AWWDA has continually liaised with the NCG on the issue of issuance of permits for identified sites. To hasten progress, a Civil Works Subcontractor M/s Visram was engaged as allowed for by the provisions of the contract. Out of the 5 blocks to be competed, 3 had a progress of over 80% and the remaining 2 over 50% and the outstanding works are on track to be completed by the end of DLP i.e. 14th December 2023. AWWDA through the Contractor has been in liaison with Nairobi City Water and Sewerage Company (NCWSC) who are responsible for connecting water to the competed bio centres. To note is that NCWSC have their own processes which have taken long due to the nature of connection that is required at the bio centres. Nonetheless, NCWSC have commenced water connections the bio centres this will be completed	Eng. Joseph Kamau CEO AWWDA	Resolved All Ablutions blocks completed and water and sewer connections completed.	December 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Review of the project progress report revealed that as at 30th June 2023, the project progress was estimated at 86% completion while the project contract period had lapsed. Furthe available information revealed that the project had been subcontracted to another company to complete after the main contractor experienced cash flow challenges. However, at the time of the audit in October 2023, construction of five (5) of the bocks in New Blue Kibera, Fort Jesus Kibera, Dam Site Kibera, Kambi Safi in Mathare, and Madoya in Huruma. Were incomplete. Further, several projects' sites lack sewer and water supply connections thus affecting the efficiency of the bio-centres.	by 14th December 2023 representing end of DLP.			



Chief Executive Officer
Name: Eng. Joseph Kamau
Date:



Project Coordinator
Name: Eng Bonnie Nyandwaro
Date:

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget in Kshs	Adjustments Kshs	Final Budget in Kshs	Actual on Comparable Basis Kshs	Variance Kshs	% of Variance	Explanation of the variance
	a	b	c=a+b	d	e=d-c	f=e/c %	
Receipts							
Proceeds from borrowings	790,000,000	1,226,000,000	2,016,000,000	2,027,262,587	11,262,587	1%	Within budget
Miscellaneous receipts	-	9,000,000	9,000,000	9,054,425	54,425	1%	Within Budget
Fund Balance B/F	-	1,107,649	1,107,649	1,107,649	-		
Total Receipts	790,000,000	1,236,107,649	2,026,107,649	2,037,424,662	11,317,013	2%	
Payments							
Goods and Services	-	-	-	-	-		
Acquisition of Non-Financial Assets	790,000,000	1,236,107,649	2,026,107,649	2,034,820,035	8,712,386	2%	Within Budget
Other Grants and Transfers and Payments				1,440,657	1,440,657		
Total Payments	790,000,000	1,236,107,649	2,026,107,649	2,036,260,692	10,153,043	2%	
Surplus/Deficit	-	-	-	1,163,970	1,163,970		

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For the financial year ended June 30, 2024

ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Opening Cost 2022/2023 (Kshs)	Purchase /Additions in the year 2023/2024(Kshs)	Disposal in the year 2023/2024 (Kshs)	Transfers in/(out) 2023/2024 (Kshs)	Closing Cost 2023/2024 (Kshs)
	a	b	c	d	e=a+b-©+(-)d
Work in Progress	10,229,295,939	2,034,820,035	-	-	12,264,115,975

①

**NORTHERN COLLECTOR WATER TUNNEL - AWWDA
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30TH JUNE 2024**

AFD Loan No.CKE 1074

Bank Account No.1000390069 Held with CENTRAL BANK OF KENYA

	NOTES	AMOUNT EUR	AMOUNT EUR
1 Amount advanced by AFD			22,014,446.90
Less:			
2 Total amount justified			7,404,342.61
3 Outstanding amount advanced to be justified			14,610,104.29
Represented by:			
4 Ending Designated Account Balance at 30.06.2024			1,355,446.90
5 Amount claimed but not credited at 30.06.2024			-
6 Amount withdrawn and not claimed as at 30.06.2024			13,254,657.39
7 Service charges (if not included in 5 & 6 above)			-
Less:			
8 Interest earning (if included in Designated Account)			-
9 Total advance to Designated Account year ended 30.06.2024			14,610,104.29

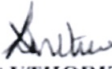
Discrepancy between total appearing on lines 3 and 9

-

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by AFD and provide reasons for not claimi expenditures

The amount appearing on line 6 is eligible for financing by AFD and shall be documented in subsequent IFRs


AUTHORIZED REPRESENTATIVE
RESOURCES MOBILIZATION DEPARTMENT
THE NATIONAL TREASURY

DATE: 02-08-2024

(1) (2)

SPECIAL ACCOUNT STATEMENT	
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For period ending	30TH JUNE, 2024
Account No.	1000390069
Depository Bank	CENTRAL BANK OF KENYA
Address	
Related Loan	NORTHERN COLLECTOR -ATHI WATER SB
Credit Agreement	
Currency	EUR

Account Activity

Beginning balance of 1ST July, 2023
as per C.B.K. Ledger Account

Add:

Total Amount deposited by World Bank	13,014,446.90
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Total Interest earnings if deposited in account	-
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Total amount refunded to cover ineligible expenditure	-
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Deduct:

Total amount withdrawn	11,659,000.00
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Total service charges if not included above in amount withdrawn	-
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Ending balance on 30th June, 2024	1,355,446.90
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**AUTHORISED REPRESENTATIVE
CENTRAL BANK OF KENYA**

SIGNATURE:

DATE

**AUTHORISED REPRESENTATIVE
EXTERNAL RESOURCES
DEPARTMENT-TREASURY**

SIGNATURE:

DATE

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2024 have been reconciled and a copy of the supporting Reconciliation Statement is attached.