

REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**

**OF**

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**NAIROBI SANITATION OUTPUT BASED  
AID (OBA) PROJECT IDA GRANT  
NO. TF014251 AND NO. TF0A5607)**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**NAIROBI CITY WATER AND SEWERAGE  
COMPANY LIMITED**

Nairobi Sanitation Output Based Aid project  
Reports and Financial Statements  
For the financial year ended June 30, 2023



**Project Name: Nairobi Sanitation Output Based Aid project**

**Implementing Entity: Nairobi City Water and Sewerage Company Ltd**

**PROJECT GRANT NUMBER IDA CR NO.TF014251-KE/TF0A5607**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2023**

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

A large, dark blue, curved graphic element at the bottom of the page, containing the text '...Improving Reliability' in a white, cursive font.

*...Improving Reliability*

**Nairobi Sanitation Output Based Aid project  
Reports and Financial Statements  
For the financial year ended June 30, 2023**

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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name:** The project's official name is Nairobi Sanitation Output Based Aid project.

**Objective:** The key objective of the project was to increase access to sanitation and water services in selected low-income communities of Nairobi. The project provided subsidies to connect households to trunk infrastructure put in place in low-income areas of Nairobi. It also helped in implementation of Nairobi City Water and Sewerage Company's (NCWSC's) social connection policy.

**Address:** The project headquarters offices are Nairobi, Nairobi County, Kenya.

The address of its registered office is:

Kampala Road, Industrial Area  
P.O. Box 30656 – 00100, Nairobi  
Kenya

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

Telephone: (254) 0703080000

E-mail: Email: [info@nairobiwater.co.ke](mailto:info@nairobiwater.co.ke)

Website: [www.nairobiwater.co.ke](http://www.nairobiwater.co.ke)

**1.2 Project Information**

|                     |   |
|---------------------|---|
| Project Start Date: | The project start date is 26th February 2016        |
| Project End Date:   | The project end date is 30th June 2019              |
| Project Manager:    | The project Coordinator is Eng Lucy Njambi          |
| Project Sponsor:    | The project sponsor is the World Bank and NCWSC Ltd |

**1.3 Project Overview**

|   |   |
|---|---|
| Line Ministry/State Department of the project | The project is under the supervision of the Ministry of Water and Sanitation  |
| Project number                                | IDA CR NO.TF014251-KE /TF0A5607   |
| Strategic goals of the project                | The strategic goals of the project are as follows:<br>(i) Extend the sewer and water services to parts of the Informal Settlement areas that are not well reticulated,<br>(ii) Convert the existing Pit latrines and the septic tank toilets in the area to pour flush conventional sewer type toilets. |
| Achievement of strategic goals                | The project management aims to achieve the goals through the following means:   |

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|  |   |
|--|---|
|  | <ul style="list-style-type: none"> <li>i. Improve the area sanitation by creating better toilet facilities for this informal areas</li> <li>ii. Provide better and cheap waste water management as there will be no need for exhausting services which were far expensive for the landlords.</li> <li>iii. Create clean environment, which will be enhanced by the proper management of the waste water/sewer.</li> <li>iv. Increase access to water and sanitation services</li> </ul> |
| Other important background information of the project      | <p>The project scope includes</p> <ul style="list-style-type: none"> <li>i. Upgrading 4,871 no. Existing Plots based pit latrines to conventional standard main sewers connection (Type A)</li> <li>ii. Upgrading 3,742 no. existing plots based pit latrines to conventional standard mains sewers connection (Type B)</li> <li>iii. 6,438 water connections</li> <li>iv. Maintenance during defect liability period of 12 Months</li> </ul>   |
| Current situation that the project was formed to intervene | <p>The works were meant to improve sanitation in 12 informal settlements namely; Kayole Soweto, Riverbank, Matopeni, Mukuru/Makongeni, Mathare, Huruma, Kasarani, Maili Saba, Mowlem, Kawangware and Kibera</p>   |
| Project duration   | <p>The project started on 26th February 2016 and is expected to run until 30th June 2019</p>  |

**1.4 Bankers**

Co-operative Bank of Kenya

Enterprise Road Branch

P.O. Box 67881 – 00200, Nairobi

Kenya

**1.5 Auditors**

The project is audited by the Auditor General in accordance with the Public Audit Act and the Companies Act.

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**1.6 Roles and Responsibilities**

The relevant key stakeholders in the project are listed below;

| <b>Names</b>                  | <b>Title designation</b> | <b>Key qualification</b>                                  | <b>Responsibilities</b>  |
|-------------------------------|--------------------------|---|--|
| <b>Eng. Nahason M. Muguna</b> | Managing Director        | Bsc.(Mechanical Eng)<br>Msc-Eng, MBA                      | Client   |
| <b>Eng Lucy Njambi</b>        | Ag. Technical Director   | Bsc Civil Eng, MSc<br>Water and Sanitation                | Project Manager overseeing supervision, coordination and implementation as per the project design.   |
| <b>Mr. Paul E. Omondi</b>     | Ag. Finance Director     | B.Com (Finance),<br>MBA (Strategic Management),<br>CPA(K) | Financial Reporting and follow up on financial resources flow.   |
| <b>Eng. Jackson Munuve</b>    | Resident Engineer        | Bsc. (Civil Eng)  | <ul style="list-style-type: none"> <li>•Supervision of the Contractors works on site</li> <li>•Ensure the Contracting of the customers to be connected.</li> <li>•Issuance of the site instructions to the Contractor</li> <li>•Compilation of monthly progress report and status reports</li> </ul> |
| <b>Mr. Johnstone Mikwa</b>    | Financial Accountant     | BA(Management studies), CPA(K),<br>MBA                    | Financial reporting  |

**1.7 Funding summary**

The Project is for duration of 38 months from February 2016 to 30<sup>th</sup> June 2019. The project is co-financed by grant of US\$ 6,930,000 and a commercial loan of US\$ 6,000,000 from the co-operative bank of Kenya subject to interest rate as per KBBR. The project has an approved budget of US\$ 12,930,000 equivalent to KShs 1.293 billion plus own contribution of US\$ 3,153,420 as highlighted in the table below:

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**A. Source of Funds**

| Source of funds                | Donor Commitment-            |                      | Amount received to date – (30-jun-2023) |                      | Undrawn balance to date (30-Jun-2023) |                          |
|--------------------------------|------------------------------|----------------------|---|----------------------|---------------------------------------|--------------------------|
|                                | <i>Donor currency</i><br>(A) | <i>KShs</i><br>(A')  | <i>Donor currency</i><br>(B)            | <i>KShs</i><br>(B')  | <i>Donor currency</i><br>(A)-(B)      | <i>KShs</i><br>(A')-(B') |
| <b>(i) Grant</b>               |                              |                      |   |                      |                                       |                          |
| World bank                     | 6,930,000                    | 693,000,000          | 4,912,725                               | 497,576,479          | 2,017,275                             | 201,727,500              |
| <b>(ii) Loan</b>               |                              |                      |   |                      |                                       |                          |
| Cooperative Bank of Kenya      | 6,000,000                    | 600,000,000          | 5,292,013                               | 529,201,331          | 707,987                               | 70,798,700               |
| <b>(iii) Counterpart funds</b> |                              |                      |   |                      |                                       |                          |
| Own contribution               | 3,153,420                    | 315,341,957          | 3,153,420                               | 315,341,957          | 0                                     | 0                        |
| <b>Total</b>                   | <b>16,083,420</b>            | <b>1,608,341,957</b> | <b>13,358,158</b>                       | <b>1,308,201,417</b> | <b>2,725,262</b>                      | <b>272,526,200</b>       |

**B. Application of Funds**

| Application of funds           | Amount received to date      |                      | Cumulative amount paid to date – (30-Jun-2023) |                      | Unutilised balance to date (30-Jun-2023) |                          |
|--------------------------------|------------------------------|----------------------|--|----------------------|--|--------------------------|
|                                | <i>Donor currency</i><br>(A) | <i>KShs</i><br>(A')  | <i>Donor currency</i><br>(B)                   | <i>KShs</i><br>(B')  | <i>Donor currency</i><br>(A)-(B)         | <i>KShs</i><br>(A')-(B') |
| <b>(i) Grant</b>               |                              |                      |  |                      |  |                          |
| World bank                     | 4,804,069                    | 486,571,479          | 4,804,069                                      | 486,571,479          | 108,656                                  | 11,005,000               |
| <b>(ii) Loan</b>               |                              |                      |  |                      |  |                          |
| Cooperative Bank of Kenya      | 5,292,013                    | 529,201,331          | 5,292,013                                      | 529,201,331          | 707,987                                  | 70,798,700               |
| <b>(iii) Counterpart funds</b> |                              |                      |  |                      |  |                          |
| Own contribution               | 3,153,420                    | 315,341,957          | 3,153,420                                      | 315,341,957          | 0  | 0                        |
| <b>Total</b>                   | <b>13,249,502</b>            | <b>1,331,114,767</b> | <b>13,249,502</b>                              | <b>1,331,114,767</b> | <b>816,643</b>                           | <b>81,803,700</b>        |

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**1.8 Summary of Overall Project Performance:**

**1.8.1 Budget performance against actual amounts for current year and for cumulative to-date,**  
During the year under review and cumulatively to date there was no significant budget utilisation/performance difference.

**1.8.2 Physical progress based on outputs, outcomes and impacts since project commencement,**

**Table No. 1: The Project Scope of Work per Informal Settlement**

| REGION  | S/No. | TARGET SETTLEMENTS | TYPE A       | TYPE B       | WATER CONNS  | TOTAL SEWER CONNS (2 No. Per HH) |
|---|-------|--------------------|--------------|--------------|--------------|----------------------------------|
| EASTERN                                       | 1     | Kayole Soweto      | 989          | 1,744        | 785          | 5,466                            |
|   | 2     | River Bank         | 370          | 85           | 455          | 910                              |
|   | 3     | Matopeni           | 1,350        | 700          | 2,050        | 4,100                            |
| EASTERN/<br>CENTRAL                           | 4     | Mukuru/Makongeni   | 260          | 605          | 865          | 1,730                            |
| NORTHERN                                      | 5     | Mathare            | 50           | 40           | 90           | 180                              |
|   | 6     | Huruma             | 141          | 15           | 156          | 312                              |
| NORTH<br>EASTERN                              | 7     | Maili Saba         | 510          | 403          | 913          | 1,826                            |
|   | 8     | Mowlem             | 320          | 10           | 279          | 660                              |
|   | 9     | Canaan             | 230          | 10           | 109          | 480                              |
|   | 10    | Mwengenye          | 112          | 10           | 122          | 244                              |
| WESTERN                                       | 11    | Kawangware         | 419          | 100          | 474          | 1038                             |
| SOUTHERN                                      | 12    | Kibera             | 120          | 20           | 140          | 280                              |
| <b>TOTALS</b>                                 |       |                    | <b>4,871</b> | <b>3,742</b> | <b>6,438</b> |                                  |
| <b>Total sewer connections (2 No. per HH)</b> |       |                    | <b>9,742</b> | <b>7,484</b> |              | <b>17,226</b>                    |

**Sewer Connections**

**Table 2: Sewer Connection Progress**

| Target Settlements  | Target Connections | Applied & Paid | % Applied & Paid Per Target | Connections Completed To Date | % Completed To Date In Line With The paid (Target) |
|---------------------|--------------------|----------------|-----------------------------|-------------------------------|--|
| 1) Kayole Soweto    | 2,733              | 3284           | 120.1%                      | 3284                          | 100%   |
| 2) River Bank       | 455                | 704            | 154.7%                      | 650                           | 92.6%  |
| 3) Matopeni         | 2050               | 2846           | 138.8%                      | 2846                          | 100%   |
| 4) Mukuru/Makongeni | 865                | -              | -                           | -                             | -  |
| 5) Mathare          | 90                 | -              | -                           | -                             | -  |
| 6) Huruma           | 156                | -              | -                           | -                             | -  |
| 7) Maili Saba       | 913                | -              | -                           | -                             | -  |
| 8) Mowlem           | 330                | 986            | 298.5%                      | 979                           | 99.5%  |
| 9) Canaan           | 240                | 537            | 223.8%                      | 526                           | 98%  |
| 10) Mwengenye       | 122                | -              | -                           | -                             | -  |

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|                |              |              |                |              |              |
|----------------|--------------|--------------|----------------|--------------|--------------|
| 11) Kawangware | 519          | 262          | 50.5%          | 260          | 99.2%        |
| 12) Kibera     | 140          | -            | -              |              |              |
| <b>TOTALS</b>  | <b>8,613</b> | <b>8,618</b> | <b>100.03%</b> | <b>8,545</b> | <b>99.3%</b> |

**Water Connections**

**Table 3: Water Connection Progress**

| Target Settlements | Target Connections | Applied & Paid | % Applied & Paid Per Target | Connections Completed To Date | % Completed To Date as per The Applied and Paid Connections |
|--------------------|--------------------|----------------|-----------------------------|-------------------------------|---|
| Kayole Soweto      | 785                | 1189           | 151.5%                      | 1189                          | 100%  |
| River Bank         | 455                | 704            | 154.3%                      | 704                           | 100%  |
| Matopeni           | 2050               | 2846           | 138.8%                      | 2846                          | 100%  |
| Mukuru/Makongeni   | 865                | -              | -                           |                               | -   |
| Mathare            | 90                 | -              | -                           |                               |   |
| Huruma             | 156                | -              | -                           |                               |   |
| Maili Saba         | 913                | -              | -                           |                               |   |
| Mowlem             | 279                | 939            | 336.6%                      | 938                           | 100%  |
| Canaan             | 109                | 501            | 459.6%                      | 497                           | 99.2%   |
| Mwengenye          | 122                | -              | -                           |                               |   |
| Kawangware         | 474                | 262            | 53.8%                       | 262                           | 100%  |
| Kibera             | 140                | -              | -                           |                               |   |
| <b>TOTALS</b>      | <b>6,438</b>       | <b>6,441</b>   | <b>100.04%</b>              | <b>6,436</b>                  | <b>99.9%</b>  |

**Sewer and Water Reticulation**

The Mowlem and Canaan were to be mostly reticulated with sewer and water network and the Matopeni and Riverbank were to be reticulated with water.

**a) Water Reticulation Table 4**

| INFORMAL SETTLEMENT      | PIPE SIZES (HDPE) |              |              |              |           |
|--------------------------|-------------------|--------------|--------------|--------------|-----------|
|                          | DN 25             | DN 50        | DN 75        | DN 100       | DN 150    |
| 1) Kayole Soweto         | 500               | 450          |              |              |           |
| 2) Matopeni              | 4,300             | 3,500        | 1,550        | 1,670        | 15        |
| 3) Riverbank             | 2,700             | 726          | 265          |              |           |
| 4) Mowlem                | 2,800             | 480          | 1,170        |              |           |
| 5) Caanan                | 1,038             | 355          | 307          |              |           |
| 6) Kawangware            | 1,170             | 500          |              |              |           |
| <b>TOTAL LENGTHS (M)</b> | <b>12,508</b>     | <b>6,011</b> | <b>3,292</b> | <b>1,670</b> | <b>15</b> |

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**b) Sewer Reticulation – Table 5**

| INFORMAL SETTLEMENT      | PIPE SIZES (CONCRETE) |              |
|--------------------------|-----------------------|--------------|
|                          | DN 225                | DN 300       |
| 1) Kayole Soweto         | 40                    |              |
| 2) Mowlem                | 2,730                 | 1,240        |
| 3) Caanan                | 1,640                 | 325          |
| <b>TOTAL LENGTHS (M)</b> | <b>4,410</b>          | <b>1,565</b> |

**Overall Status**

**Table 5: The Status of Work done**

| Time Lapsed  | 38Months |
|--|----------|
| % Time Lapsed  | 100%     |
| <b>Targeted Connection to Date as Per Work schedule</b>                  |          |
| a) Sewer Connection (Revised WP)   | 8,613    |
| b) Water Connection  | 6,438    |
| c) Sewer Connections Done  | 8,540    |
| d) Water Connections Done  | 6,436    |
| e) Percentage Connection to be achieved as per the Revised Work Schedule | 100%     |
| f) Percentage Of Actual Connection Achieved                              | 99.8%    |
| g) Mobilization as per work Schedule                                     | 100%     |
| h) Mobilization to Date  | 100%     |
| % Work Done (Approx.); inclusive of Mobilization                         | 100%     |

**1.8.3 Comment on value-for-money achievements**

The project has had a number of benefits which include:-

- i. Increased number of customers in the informal settlement from 2,200 to over 10,000, this has also reduced the non-revenue water in these areas.
- ii. There is increased revenue to the company from the initial average of kshs 1 million before the project to current collection of kshs 3-4 million per month
- iii. Proper sanitation in the slums which has reduced the cases of the waterborne diseases
- iv. Increased access to water hence reducing the man hours people here would spend looking for the water.
- v. The cartels have no control in these areas as NCWSC is in full control of water and sewer services which has given the people here a lot of confidence.
- vi. The project created a lot of job opportunities to residents during its implementation.
- vii. The project has increased the sewer coverage for the Company by 6km for the works covering Caanan and Mowlem informal settlements.

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The absorption rate for each year since the commencement of the project is as shown below.

| FY              | 2022/2023 | 2021/2022 | 2020/21 | 2019/20 |
|-----------------|-----------|-----------|---------|---------|
| Absorption rate | 100%      | 100%      | 100%    | 99%     |

**Implementation challenges and recommended way forward.**

- i. Lack of advance payment of 20% of the contract sum to the Contractor which affected his performance of works more so the delays as his planned cash flow could not be effected well
- ii. Lack of the sewer lines in some of the informal settlements.
- iii. Hostile communities in some of this slums notably Canaan, Mowlem and Riverbank
- iv. During the implementation period we had a prolonged electioneering period from July 2017 - December 2017 as the August elections were nullified and repeat of the same in October 2017 and this being low income areas with high populations (Voters) were areas of the political rallies which in most cases turned violent affecting the works.
- v. Lack of way leaves in some of this areas as people are utilizing every space ; this affected the delivery of the materials to the working sites
- vi. Water deficiency affecting the applications as some parts are receiving water once in a week.

**Way forward**

Due to constant delays and lengthy procedure in disbursement of funds through the ministry, we propose and recommend that funds be channelled directly to the implementing agent.

**1.9 Summary of Project Compliance:**

The Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received were used for the eligible purposes for which they were intended and were properly accounted for.

**2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED 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.

**Key development objectives**

The development objective of the project was to increase access to sanitation and water services in selected low-income communities in the Target Areas of the Recipient's territory and more specifically to:

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- a) Extend the sewer and water services to parts of the Informal Settlement areas that are not well reticulated,
- b) Convert the existing Pit latrines and the septic tank toilets in the area to pour flush conventional sewer type toilets.

**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   |
|---|---|---|--|---|
| Nairobi Sanitation (Output Based Aid) project | <p>a) Increase access to sanitation and water services in selected low-income communities in the Target Areas of the Recipient's territory.</p> <p>b) Extend the sewer and water services to parts of the Informal Settlement areas that are not well reticulated.</p> <p>b) Convert the existing Pit latrines and the septic tank toilets in the area to pour flush conventional sewer type toilets.</p> | <p>i.) Improved the area sanitation by creating better toilet facilities for this informal areas</p> <p>ii.) Provided better and cheap waste water management as there is no need for exhausting services which were far expensive for the landlords</p> <p>iii.) Has Created a clean environment, enhanced by the proper management of the waste water/sewer</p> <p>iv.) Increased access to water and sanitation services</p> | <p>No. of sewer connections</p> <p>No. of water connections</p> <p>Number of people provided with access to sewerage and water services in the project areas</p> | <p>8,545No. Sewer connections</p> <p>6,436No. water connections</p> |

### **3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Nairobi City Water & Sewerage Company Ltd (NCWSC) aspires to make a positive difference to the communities we are in and to the nation overall through the services we provide, the way we provide them and the way we run the organization as a whole, while ensuring that this does not detract us from our core purpose. We aim to act responsibly in our actions with key tenets of:

- Providing sustainable benefits for our stakeholders
- Minimizing our impact on the environment, both directly and through what we do for our stakeholders
- Providing support for the wellbeing and development of staff
- Securing our own financial sustainability and independence
- Improving the positive impact on the communities we live and work in and reducing the negative impact
- Developing our partnerships with suppliers
- Continuous development of our governance and transparency.

Below is a brief highlight of our activities that drive towards sustainability:

- In conjunction with the Nairobi Metropolitan Services (NMS) and riparian communities within the catchment areas, the Company held a tree planting activity at Dandora Sewerage Treatment Works (DSTW) in Ruai.
- Under the community investment program, the utility has ensured that the informal settlements have water through water kiosks and water tanks, we also have rehabilitation of ablution blocks and boreholes in the settlements and within the city at large going on. All this is aimed at serving the less privileged members of the society.
- Donation of water tanks (10,000 litres) to strategic groups such as schools, health facilities and youth and women groups through area Members of the County Assembly (MCAs). This assists in water conservation as well as educating them on the importance of environmental and water conservation.
- As a result of the COVID-19 pandemic and in support of our members in the society, collaborated with NMS and Athi Water Works Development Agency (AWWDA) to complement the efforts of the National Government by providing hand-washing points in strategic points in Nairobi City County as an immediate measure to stop the spread. These facilities are available in all the police stations, public toilets and high human traffic areas within and outside the Nairobi Central Business District (CBD).

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Special attention has been given to the informal settlements, given its uniqueness of high population density and over-crowdedness.

- In partnership with Water and Sanitation for the Urban Poor (WSUP), the Company rolled out the hygiene behavior change communication (HBCC) project whose intention was to drive hygiene behavior change communication through mass media channels, utility digital media platforms and community engagement, in the fight against Covid-19.

Environmental and health benefits. Prior to the project the targeted settlements had a high number of poor-quality pit latrines which often drained into the street and lanes, and whose content was unsafely disposed of into the environment around the settlements. In addition, those who did not have access to a latrine or chose not to use the poor-quality latrine practiced open defecation, with fecal matter often disposed of in plastic bags (“flying toilet”). The connection of the new latrines to sewers has visibly improved the environment within the settlements.

In addition, information shared through community health workers and public meetings has resulted in the improved management of solid waste within the communities. This is essential to ensure sewers do not get blocked, but also had a positive impact on the environmental hygiene of the settlements. Access to hygienic sanitation, which disposes of fecal matter safely, and to clean water was expected to reduce sanitation-related diseases. While not verifiable, customers reported a drop in the incidents of disease, including outbreaks of cholera, since the project, and this is supported by data from Nairobi County Public Health Department.

**Nairobi Sanitation Output Based Aid project  
Reports and Financial Statements  
For the financial year ended June 30, 2023**

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**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2023. 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 Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date. The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by the Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project on 15<sup>th</sup> September 2023 and signed by them.



Managing Director  
Eng. Nahason Muguna



Project Coordinator  
Eng. Lucy Njambi



Project Accountant:  
Paul E. Omondi  
ICPAK Member No.: 3647

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON NAIROBI SANITATION OUTPUT BASED AID (OBA) PROJECT IDA GRANT NO. TF014251 AND NO. TF0A5607) FOR THE YEAR ENDED 30 JUNE, 2023 - NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED

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### 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.
- 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.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Nairobi Sanitation Output Based Aid Project (OBA) set out on pages 1 to 22, which comprise of the statement of financial

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*Report of the Auditor-General on Nairobi Sanitation Output Based Aid (OBA) Project - IDA Grant No. TF014251 and No. TF0A5607) for the year ended 30 June, 2023 - Nairobi City Water and Sewerage Company limited*

assets as at 30 June, 2023 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, the financial statements present fairly, in all material respects, the financial position of Nairobi Sanitation Output Based Aid Project as at 30 June, 2023 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 Grant No.TF014251 and KE/TF0A5607 dated 19 December, 2013 and 30 August, 2017 respectively between the Republic of Kenya and International Development Association, and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly the special account transactions and the closing balance has been reconciled with the book balances.

### **Basis for Opinion**

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

### **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 Issues**

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in the Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing 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**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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.

### **Responsibilities of the Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as 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, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Project or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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


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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


05 December, 2023

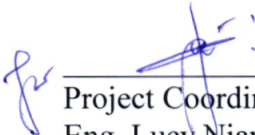
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**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2023**

|  | Note  | 2022/2023  |  | 2021/2022   |  | Cumulative to-date (From inception) |
|--|-------|--|--|---|--|-------------------------------------|
|  |       | Receipts and payments controlled by the entity<br>KShs | Payments made by third parties<br>KShs | Receipts and payment controlled by the entity<br>KShs | Payments made by third parties<br>KShs |                                     |
| <b>RECEIPTS</b>                                    |       |  |  |   |  |                                     |
| Transfer from Government entities                  | 11.1  | 0  | 0                                      | 0   | 0                                      | 0                                   |
| Proceeds from domestic and foreign grants          | 11.2  | 0  | 0                                      | 0   | 0                                      | 486,571,479                         |
| Loan from external development partners            | 11.3  | 0  | 0                                      |   | 0                                      | 0                                   |
| Miscellaneous receipts-co funding by NCWSC         | 11.4  | 33,918,350   | 0                                      | 42,474,690  | 0                                      | 844,543,288                         |
| <b>TOTAL RECEIPTS</b>                              |       | <b>33,918,350</b>                                      | <b>0</b>                               | <b>42,474,690</b>                                     | <b>0</b>                               | <b>1,331,114,767</b>                |
| <b>PAYMENTS</b>                                    |       |  |  |   |  |                                     |
| Compensation of employees                          | 11.5  | 0  | 0                                      | 0   | 0                                      | 0                                   |
| Purchase of goods and services (Works/consultancy) | 11.6  | 0  | 0                                      | 0   | 0                                      | 1,028,027,434                       |
| Social security benefits                           | 11.7  | 0  | 0                                      | 0   | 0                                      | 0                                   |
| Acquisition of non-financial assets                | 11.8  | 0  | 0                                      | 0   | 0                                      | 10,800,000                          |
| Transfers to other government entities             | 11.9  | 0  | 0                                      | 0   | 0                                      | 0                                   |
| Finance costs on loan plus bank charges            | 11.10 | 33,918,350   | 0                                      | 42,474,690  | 0                                      | 292,287,333                         |
| <b>TOTAL PAYMENTS</b>                              |       | <b>33,918,350</b>                                      | <b>0</b>                               | <b>42,474,690</b>                                     | <b>0</b>                               | <b>1,331,114,767</b>                |
| <b>DEFICIT</b>                                     |       | <b>0</b>   | <b>-</b>                               | <b>0</b>  | <b>-</b>                               | <b>0</b>                            |

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

  
Managing Director  
Eng Nahason Muguna

  
Project Coordinator  
Eng. Lucy Njambi


  
Project Accountant  
Paul E. Omondi  
ICPAK Member No.: 3647

**Nairobi Sanitation Output Based Aid project  
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**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2023**

|   | Note    | 2022-2023 | 2021-2022 |
|---|---------|-----------|-----------|
|   |         | KShs      | KShs      |
| <b>FINANCIAL ASSETS</b>                     |         |           |           |
| <b>Cash and Cash Equivalents</b>            |         |           |           |
| Bank Balances                               | 11.11 A | 0         | 0         |
| Cash Balances                               | 11.11 B | 0         | 0         |
| Cash Equivalents (short-term deposits)      | 11.11 C | 0         | 0         |
| <b>Total Cash and Cash Equivalents</b>      |         | <b>0</b>  | <b>0</b>  |
| Accounts receivables – Imprest and Advances | 13.10   | 0         | 0         |
| <b>TOTAL FINANCIAL ASSETS</b>               |         | <b>0</b>  | <b>0</b>  |
| <b>REPRESENTED BY</b>                       |         |           |           |
| Fund balance b/fwd                          | 13      | 0         | 0         |
| Prior year adjustments                      | 13.11   | 0         | 0         |
| (Deficit)/Surplus for the year              |         | 0         | 0         |
| <b>NET FINANCIAL POSITION</b>               |         | <b>0</b>  | <b>0</b>  |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 15<sup>th</sup> Sept 2023 and signed by:

  
\_\_\_\_\_  
Managing Director  
Eng. Nahason Muguna

  
\_\_\_\_\_  
Project Coordinator  
Eng. Lucy Njambi


  
\_\_\_\_\_  
Project Accountant  
Paul E. Omondi  
ICPAK Member Number: 3647

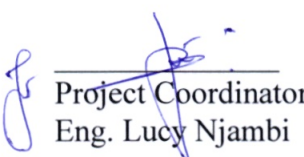
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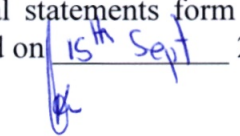
**8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2023**

|  |       | 2022-2023           | 2021-2022           |
|--|-------|---------------------|---------------------|
|  | Note  | KShs                | KShs                |
| <b>Receipts for operating activities</b>                 |       |                     |                     |
| Transfer from Government entities                        | 11.1  | 0                   | 0                   |
| Proceeds from domestic and foreign grants                | 11.2  | 0                   | 0                   |
| Own contribution /commercial loan /borrowing costs       | 11.4  | 33,918,350          | 42,474,690          |
| <b>Sub total</b>   |       | <b>33,918,350</b>   | <b>42,474,690</b>   |
| <b>Payments for operating activities</b>                 |       |                     |                     |
| Compensation of employees                                | 11.5  | 0                   | 0                   |
| Purchase of goods and services (consultancy and works)   | 11.6  | 0                   | 0                   |
| Social security benefits                                 | 11.7  | 0                   | 0                   |
| Transfers to other government entities                   | 11.9  | 0                   | 0                   |
| Other grants and transfers (Co-funding by NCWSC)         | 11.10 | (33,918,350)        | (42,474,690)        |
| <b>Adjustments during the year</b>                       | 13.11 | 0                   | 0                   |
| <b>Net cash flow from operating activities</b>           |       | <b>(33,918,350)</b> | <b>(42,474,690)</b> |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>                |       |                     |                     |
| Acquisition of Assets                                    | 11.8  | 0                   | 0                   |
| <b>Net cash flows from Investing Activities</b>          |       | <b>0</b>            | <b>0</b>            |
| <b>CASHFLOW FROM BORROWING ACTIVITIES</b>                |       |                     |                     |
| Proceeds from Foreign Borrowings                         | 11.3  | 0                   | 0                   |
| <b>Net cash flow from financing activities</b>           |       | <b>0</b>            | <b>0</b>            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>          |       | <b>0</b>            | <b>0</b>            |
| <b>Cash and cash equivalent at BEGINNING of the year</b> |       | <b>0</b>            | <b>0</b>            |
| <b>Cash and cash equivalent at END of the year</b>       |       | <b>0</b>            | <b>0</b>            |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 15<sup>th</sup> Sept 2023 and signed by:

  
\_\_\_\_\_  
Managing Director  
Eng. Nahason Muguna

  
\_\_\_\_\_  
Project Coordinator  
Eng. Lucy Njambi


  
\_\_\_\_\_  
Project Accountant  
Paul E. Omondi  
ICPAK Member Number No: 3647


**Nairobi Sanitation Output Based Aid project  
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**9. STATEMENT OF COMPARARISON - BUDGET AND ACTUAL AMOUNTS**

| Receipts/Payments Item                               | Original Budget   | Adjustments | Final Budget      | Actual on Comparable Basis | Budget Utilization Difference | % Utilization |
|--|-------------------|-------------|-------------------|----------------------------|-------------------------------|---------------|
|  | a                 | b           | c=a+b             | d                          | e=c-d                         | f=d/c %       |
| <b>Receipts</b>                                      |                   |             |                   |                            |                               |               |
| Transfer from Government entities                    | 0                 | 0           | 0                 |                            |                               |               |
| Proceeds from domestic and foreign grants            | 0                 | 0           | 0                 | 0                          | 0                             | 0%            |
| Proceeds from borrowings                             |                   |             |                   |                            |                               |               |
| Other transfers (Newsc own funding )                 | 33,918,350        | 0           | 33,918,350        | 33,918,350                 | 0                             | 100%          |
| <b>Total Receipts</b>                                | <b>33,918,350</b> | <b>0</b>    | <b>33,918,350</b> | <b>33,918,350</b>          | <b>0</b>                      | <b>100%</b>   |
| <b>Payments</b>                                      |                   |             |                   |                            |                               |               |
| Compensation of employees                            |                   |             |                   |                            |                               |               |
| Works & consultancy (Purchase of goods and services) | 0                 | 0           | 0                 | 0                          | 0                             | 0%            |
| Social security benefits                             | 0                 | 0           | 0                 | 0                          | 0                             | 0%            |
| Acquisition of non-financial assets                  | 0                 | 0           | 0                 | 0                          | 0                             | 0%            |
| Transfers to other government entities               | 0                 | 0           | 0                 | 0                          | 0                             | 0%            |
| Bank charges/finance costs                           | 33,918,350        | 0           | 33,918,350        | 33,918,350                 | 0                             | 100%          |
| <b>Total Payments</b>                                | <b>33,918,350</b> | <b>0</b>    | <b>33,918,350</b> | <b>33,918,350</b>          | <b>0</b>                      | <b>100%</b>   |

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.

  
\_\_\_\_\_  
Managing Director  
Eng. Nahason Muguna

  
\_\_\_\_\_  
Project Coordinator  
Eng. Lucy Njambi

  
\_\_\_\_\_  
Project Accountant  
Paul E. Omondi  
ICPAK Member No: 3647

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

### **10.2 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 and b) payables that include 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.

### **10.3 Reporting entity**

The financial statements are for the Project Nairobi Sanitation Project Output Based Aid under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **10.3.1 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.

## **10.4 Significant Accounting Policies**

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

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

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

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

#### **• External Assistance**

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

**Nairobi Sanitation Output Based Aid project  
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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Donations and grants**

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

**Proceeds from borrowing**

Borrowing includes loans acquired by the Project from the Co-operative Bank of Kenya and are treated on cash basis and recognized as a receipt during the year they are received.

**Undrawn external assistance**

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

• **Other receipts**

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

**b) Recognition of payments**

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

• **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid. No compensation was made during this period.

• **Use of goods and services**

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

• **Interest on borrowing**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

**Acquisition of fixed assets**

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

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

**c) In-kind donations**

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

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Co-operative Bank of Kenya 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.

**Restriction on cash**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Accounts receivable**

For the purposes of these financial statements, imprests and advances to 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.

**f) Pending bills**

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

**g) Budget**

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

**h) Third party payments**

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

No amount was received during the period as loan disbursements in form of direct payments from third parties.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Exchange rate differences**

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

**j) Comparative figures**

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

**k) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

**l) Errors**

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

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**11. NOTES TO THE FINANCIAL STATEMENTS**

**11.1 RECEIPTS FROM GOVERNMENT OF KENYA**

These represent counterpart funding and other receipts from government. There was no receipts from government during the period

**11.2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30 June 2023 there was no grants received from donors (2022: Kshs Nil)

**11.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

The project has not received any funding in form of loans from external development partners.

**11.4 MISCELLANEOUS RECEIPTS/COMMERCIAL LOAN/BORROWING COSTS/TAX**

|   | 2022-2023                                 |                                      |                          | 2021-2022                | Cumulative to- date (from inception) |
|---|---|--------------------------------------|--------------------------|--------------------------|--------------------------------------|
|   | Receipts controlled by the entity in Cash | Receipts controlled by third parties | Total Receipts           |                          |                                      |
|   | KShs                                      | KShs                                 | KShs                     |                          |                                      |
| <b>Own Contribution and finance costs</b>             | 33,918,350                                | 0                                    | 33,918,350               | 42,474,690               | <b>315,341,957</b>                   |
| <b>Commercial loan from cooperative bank of Kenya</b> |   |                                      |                          | 0                        | <b>529,201,331</b>                   |
|   | <b><u>33,918,350</u></b>                  | <b>=</b>                             | <b><u>33,918,350</u></b> | <b><u>42,474,690</u></b> | <b><u>844,543,288</u></b>            |

Miscellaneous receipts comprises of commercial loan and interest thereon acquired from the cooperative bank of Kenya plus own contribution by the company in form of payment of withholding taxes and consultancy fee.

**11.5 COMPENSATION OF EMPLOYEES**

Engineering staff attached to the project are paid site allowances by the contractor which are included as measured works.

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**11.6 PURCHASE OF GOODS AND SERVICES (WORKS AND CONSULTANCY)**

|  | 2022-2023                           |                                |                | 2021-2022 | Cumulative to- date  |
|--|-------------------------------------|--------------------------------|----------------|-----------|----------------------|
|  | Payments made by the Entity in Cash | Payments made by third parties | Total Payments |           |                      |
|  | KShs                                | KShs                           | KShs           | KShs      | KShs                 |
| <b>Works/consultancy- (Pending bill)</b> | 0                                   |                                | 0              | 0         | 1,028,027,434        |
| <b>Total</b>                             | <b>0</b>                            |                                | <b>0</b>       | <b>0</b>  | <b>1,028,027,434</b> |

This includes money paid to the contractor as civil works done and consultancy fees for independent verification of the project progress. It also includes other operating expenses such finance costs and bank charges.

**11.7 SOCIAL SECURITY BENEFITS**

No employee attached to the project was entitled to receive social security benefits other than as per employment contract with the employer.

**11.8 ACQUISITION OF NON-FINANCIAL ASSETS**

|   | 2022/2023                           |                                |                | 2021/2022 | Cumulative to-date |
|---|-------------------------------------|--------------------------------|----------------|-----------|--------------------|
|   | Payments made by the Entity in Cash | Payments made by third parties | Total Payments |           |                    |
|   | KShs                                | KShs                           | KShs           | KShs      | KShs               |
| <b>Purchase of vehicles &amp; other transport equipment</b> | -                                   | -                              | -              | 0         | 10,800,000         |
| <b>Total</b>  | <b>-</b>                            | <b>-</b>                       | <b>-</b>       | <b>0</b>  | <b>10,800,000</b>  |

Two number vehicles were acquired in the period 2017/2018 and have been transferred to the Company.

**11.9 TRANSFERS TO OTHER GOVERNMENT ENTITIES**

There was no transfer of funds to other reporting government entities.

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**11.10 FINANCE COSTS/BANK CHARGES PAYMENTS**

|  | 2022/2023   |  |                           | 2021/22                  | Cumulative<br>to-date     |
|--|---|--|---------------------------|--------------------------|---------------------------|
|  | Payments<br>made by the<br>Entity in Cash<br>KShs | Payments<br>made by third<br>parties<br>KShs | Total<br>Payments<br>KShs | KShs                     | KShs                      |
| Misc payments (Finance costs and bank charges/taxes) | 33,918,350  |  | 33,918,350                | 42,474,690               | 292,287,333               |
| <b>Total</b>   | <b><u>33,918,350</u></b>                          |  | <b><u>33,918,350</u></b>  | <b><u>42,474,690</u></b> | <b><u>292,287,333</u></b> |

This includes financing costs of borrowing and bank charges paid by NCWSC.

**11.11 CASH AND CASH EQUIVALENTS CARRIED FORWARD**

|   | 2022/2023       | 2021/22  |
|---|-----------------|----------|
|   | KShs            | KShs     |
| Bank accounts (Note 11.10A)                         | 0               | 0        |
| Cash in hand (Note 11. 10B)                         | -               | -        |
| Cash equivalents (short-term deposits) (Note11.10C) | -               | -        |
| <b>Total</b>  | <b><u>0</u></b> | <b>0</b> |

The project has one number of project account spread within the project implementation area.

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

**11.11 A. Bank Accounts  
Project Bank Accounts**

|  | 2022/23     | 2021/22     |
|--|-------------|-------------|
| <b>Foreign Currency Accounts</b>                   | <b>USD</b>  | <b>USD</b>  |
| Central Bank of Kenya [A/c No1000237578.....]      | 0           | 0           |
| <b>Total Foreign Currency balances</b>             | <b>0</b>    | <b>0</b>    |
|  | <b>KShs</b> | <b>KShs</b> |
| <b>Local Currency Accounts</b>                     |             |             |
| Central Bank of Kenya [A/c No.....]                | -           | -           |
| Co-operative Bank of Kenya [A/c No. 0113601361409] | 0           | 0           |
| Others ( <i>specify</i> ) none                     | -           | -           |
| <b>Total local currency balances</b>               | <u>0</u>    | <u>0</u>    |
| <b>Total bank account balances</b>                 | <u>0</u>    | <u>0</u>    |

**Special Deposit Accounts**

There were no balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2021. There was no external loans/grants received in the year.

**Special Deposit Accounts Movement Schedule**

|  | 2022/23    | 2021/22    |
|--|------------|------------|
|  | <b>USD</b> | <b>USD</b> |
| (i) A/C Name [A/c No.....]   |            |            |
| <b>Opening balance</b>   | 750        | 750        |
| <b>Total amount deposited in the account</b>                             | 0          | 0          |
| <b>Total amount withdrawn (not yet claimed)</b>                          | <u>750</u> | 750        |
| <b>Closing balance (as per SDA bank account reconciliation attached)</b> | <u>750</u> | <u>750</u> |

The balance in the designated account as at 30<sup>th</sup> June 2022 is USD 0.

**11.11B Cash in Hand**

There was no cash at hand as the project did not provide for cash disbursements.

**11.11. C Cash equivalents (Short-term deposits)**

There was no short term deposits in the period.

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

**12. ACCOUNTS RECEIVABLES**

|                                  | <b>2022/23</b>    | <b>2021/22</b>    |
|----------------------------------|-------------------|-------------------|
|                                  | <b>KShs</b>       | <b>KShs</b>       |
| Ministry of Water and Sanitation | 11,005,000        | 11,005,000        |
| Imprests                         | 0                 | -                 |
| <b>Total</b>                     | <b>11,005,000</b> | <b>11,005,000</b> |

During the period 2016-2017 USD 500,000 was withdrawn from the special account and an equivalent of kshs 51,505,000 was transferred from Treasury to the Ministry of water and sanitation. However the Ministry transferred only kshs 40,500,000 leaving a balance of kshs 11,005,000.

**13. FUND BALANCE BROUGHT FORWARD**

|   | <b>2022/23</b> | <b>2021/22</b> |
|---|----------------|----------------|
|   | <b>KShs</b>    | <b>KShs</b>    |
| <b>Bank accounts</b>                          | 0              | 0              |
| <b>Cash in hand</b>                           | -              | -              |
| <b>Cash equivalents (short-term deposits)</b> | -              | -              |
| <b>Outstanding imprests and advances</b>      | -              | -              |
| <b>Total</b>                                  | <b>0</b>       | <b>0</b>       |

**13.10. OUTSTANDING IMPRESTS AND ADVANCES**

There was no imprests or advances issued during the period.

**13.11. PRIOR YEAR ADJUSTMENT**

There were no prior year adjustments on fund balance.

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**14. OTHER IMPORTANT DISCLOSURES**

**14.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)**

|                                      | Balance b/f<br>FY 2021/2022 | Additions<br>for the<br>period | Paid during the<br>year | Balance c/f<br>FY 2022/2023 |
|--------------------------------------|-----------------------------|--------------------------------|-------------------------|-----------------------------|
| Description                          | Kshs                        | Kshs                           | Kshs                    | Kshs                        |
| Construction of buildings            | 0                           | 0                              | (0)                     | 0                           |
| Construction of civil works (Works)  | 0                           | 0                              | 0                       | 0                           |
| Supply of goods                      | -                           | -                              | -                       | -                           |
| Supply of services (Consultancy fee) | 0                           | 0                              | (0)                     | 0                           |
| <b>Total</b>                         | <b>0</b>                    |                                | <b>(0)</b>              | <b>0</b>                    |

There was no pending bill as at June 2023.

**14.2 PENDING STAFF PAYABLES**

There was no outstanding staff payables as at close of the period.

**14.3 OTHER PENDING PAYABLES**

There was no outstanding other payables as at close of the period

**14.4 RETENTION MONIES**

Retention at the rate of 10% is deducted from measured works and is payable after the defects liability period or as provided in the contract documents. The retention amount was paid in the period ending June 2020.

**14.5 CONTINGENT LIABILITIES**

This comprise of a pending suit instituted against the company by Interways Works Kenya Ltd for an advance payment claim of Kshs 166 Million. The likely outcome of this matter cannot be determined as at the date of signing these financial statements.

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

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| Reference  | Observation by the Auditor   | Management comment  |
|--|--|---|
| <p><b>1. Unconfirmed project own contribution loan balance</b></p> | <p>The statements of receipts and payments reflect miscellaneous receipts of Kshs 42,474,690 which reflects to co-funding by the Nairobi City Water and Sewerage Company. The management entered into an agreement with cooperative bank of kenya via letter ref CMD/CIBD58886 dated 4 August 2016 for a maximum loan facility of kshs 600,000,000 to finance the Nairobi Sanitation Output Based Aid (OBA) Project. this loan which formed part of the Company's contribution towards the project was payable by the project beneficiaries through application fee and monthly repayment of the loan as well as interest on funds collected but not immediately paid on account of the loan. Information reflected in the summary of overall performance section of the project financial statements indicates that 17,226 sewer and 6,436 water connections were completed, by the time of this audit. an upfront connection fee of kshs 1,648 per household was charged totalling to kshs.38,994,976. In addition, total monthly repayment following the completion of the defect liability period in June 2019 was kshs 450 and kshs 150, for the sewer and water connections respectively. These monthly repayments were to be made within a period of four years in respect of sewer connection and three years in respect of water connections respectively. Based on the information presented above, the total repayments received during the payment period were kshs.406,836,000.</p> | <p>The Company only received kshs 529,201,331 as loan and these funds were disbursed to the Contractor. The Kshs 253 million is interest accrued on the loan facility and not interest earned as its being loaded onto the loan every month and repaid as per the loan agreement. The loan balance as per the records of kshs 302,528,009 is therefore correct and can be validated from the available records.</p> |

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|  |  |  |
|--|--|--|
|  | <p>Further, review of the cooperative bank working capital loan statements revealed that the company earned interest on balances in the account totalling kshs 253,619,568 in the period between January 2017 and June 2022.</p> <p>The three facilities recorded above yield total receipts of shs 699,450,544.</p> <p>Review of documents provided for audit revealed that as at June 2022 the company had repaid the loan totalling to kshs 483,504,505 which included kshs 225,178,118 and kshs 258,326,386 for the principal and interest respectively, leaving an outstanding loan balance of kshs 302,528,009 reflected in the bank statement.</p> <p>Had the company used the receipts of kshs 699,450,544 to pay off the loan as envisaged in the financing agreement , the outstanding balance would have been less than kshs 88,077,173 and not kshs 302,528,009 currently reflected as outstanding in the bank statements.</p> <p>In the circumstances the accuracy and completeness of the outstanding loan balance of kshs 302,528,009 could not be confirmed.</p> |  |
|--|--|--|

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|   |   |  |
|---|---|--|
| <p><b>2. Uncollected miscellaneous Receipts</b></p> | <p>As disclosed in Note 11.4 to the financial statements, the statement of receipts and payments reflects cumulative proceeds from domestic and foreign grants of kshs 810,624,938. Included in the amount is the Company's own contribution and finance costs of kshs 281,423,607 which differs with the cumulative receipts of kshs 699,450,544 which should have been received, resulting to unreconciled revenue variance of kshs 422,733,755 between the two records. In the absence of reconciliation between the two sets of records, it was not possible to confirm the accuracy of the cumulative company contribution and interest income of kshs 281,423,607, reflected in the financial statements</p>  | <p>The company's own contribution is kshs 281,423,607 is comprising of finance costs kshs 258,368,983 interest and kshs 23,054,624 paid by the company inform of taxes withheld on the Contract by Interways ltd , Losai Management Ltd and Elly Otieno Aguko.</p> |
| <p><b>3. Unremitted disbursements</b></p>           | <p>As reported in the previous year, the statement of receipts and payments reflects cumulative proceeds from domestic and foreign grants of kshs 486,571,479 as disclosed in note 11.2. However according to funding summary in section 1.7 of the project information and overall performance reflect an amount received to date of kshs.497,576,479 resulting to unreconciled variance of Kshs.11,005,000. According to explanation provided by the management and as disclosed in Note 12 to the financial statements, the variance of Kshs.11,005,000 was amount withdrawn from the special account and transferred to the Ministry of Water and Sanitation in the year 2016/2017 but was yet to be remitted to the project. In the circumstances, it was not possible to confirm the accuracy of the accumulated grant advanced of kshs 486,571,479 for the year ending 30 June 2022.</p> | <p>Funds are still pending at Ministry of Water and sanitation</p>   |

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| <p><b>4. Unreconciled Donor receipts</b></p> | <p>According to the funding summary at section 1.7 of the financial statements, the funding received to date is USD 4,912,725 while the special account report of Nairobi Sanitation OBA Project IDA Loan Credit No. TF 014251-KE for the year ended 30 June, 2022 reflects amount advanced by IDA to the project amounting to USD 3,567,380 as at 30 June, 2022 resulting to unreconciled variance of USD1,298,335.</p> <p>In the absence circumstances, the actual grant advanced has been misstated.</p> | <p>The project had two TF accounts viz No. TF014251-KE/TF0A5607. The table below summarizes the original budget amounts and the actual receipts from each;</p> <table border="1" data-bbox="1026 533 1525 1099"> <thead> <tr> <th>Donor Financing</th> <th>Original Amount (US\$)</th> <th>Revised amount (US\$)</th> <th>Actual disbursed (US\$)</th> </tr> </thead> <tbody> <tr> <td>TF14251</td> <td>4,330,000</td> <td>3,567,380</td> <td>3,567,380</td> </tr> <tr> <td>TFA5607</td> <td>2,600,000</td> <td>1,345,345</td> <td>1,345,345</td> </tr> <tr> <td>Total</td> <td>6,930,000</td> <td>4,912,725</td> <td>4,912,725</td> </tr> <tr> <td>Total project cost</td> <td>6,930,000</td> <td>4,912,725</td> <td>4,912,725</td> </tr> </tbody> </table> <p>There is no variance in the amounts disbursed as the two cumulatively add to US\$ 4,912,725.</p> | Donor Financing         | Original Amount (US\$) | Revised amount (US\$) | Actual disbursed (US\$) | TF14251 | 4,330,000 | 3,567,380 | 3,567,380 | TFA5607 | 2,600,000 | 1,345,345 | 1,345,345 | Total | 6,930,000 | 4,912,725 | 4,912,725 | Total project cost | 6,930,000 | 4,912,725 | 4,912,725 |
|--|---|--|-------------------------|------------------------|-----------------------|-------------------------|---------|-----------|-----------|-----------|---------|-----------|-----------|-----------|-------|-----------|-----------|-----------|--------------------|-----------|-----------|-----------|
| Donor Financing                              | Original Amount (US\$)  | Revised amount (US\$)  | Actual disbursed (US\$) |                        |                       |                         |         |           |           |           |         |           |           |           |       |           |           |           |                    |           |           |           |
| TF14251                                      | 4,330,000   | 3,567,380  | 3,567,380               |                        |                       |                         |         |           |           |           |         |           |           |           |       |           |           |           |                    |           |           |           |
| TFA5607                                      | 2,600,000   | 1,345,345  | 1,345,345               |                        |                       |                         |         |           |           |           |         |           |           |           |       |           |           |           |                    |           |           |           |
| Total  | 6,930,000   | 4,912,725  | 4,912,725               |                        |                       |                         |         |           |           |           |         |           |           |           |       |           |           |           |                    |           |           |           |
| Total project cost                           | 6,930,000   | 4,912,725  | 4,912,725               |                        |                       |                         |         |           |           |           |         |           |           |           |       |           |           |           |                    |           |           |           |

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|                                    |  |   |
|------------------------------------|--|---|
| <p><b>5. Lack of Records</b></p>   | <p>The project information and overall performance indicates that 17,226 households and 6,438 were connected with sewer and water respectively. However, management did not provide the list of beneficiaries of the project for audit verification. In absence of such documents and related details it was possible to confirm the accuracy and completeness of the balances reflected in the financial statements in relation to achievements of the project.</p> | <p>The customers connected listing is available for review.</p> |
| <p><b>Emphasis of a matter</b></p> |  |   |

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|   |  |   |
|---|--|---|
| <p><b>1. Slow absorption of funds</b></p> | <p>As disclosed in paragraph 1.2 on project information, the project was earmarked to close on 30th June 2019. However, paragraph 1.7 on funding summary indicates that IDA had made a commitment amounting to kshs 6,930,000,000 equivalent to USD 6,930,000 as at June 2019. However actual drawdowns during the period amounted to kshs 497,576,479 equivalent to USD 4,912,725 resulting to a balance of kshs 201,727,500 undrawn. The credit lapsed without being fully utilized and the projects planned deliverables earmarked for completion using funding may not have been realized. However management has not provided for audit review documentary evidence to show that the closure process was initiated or any attempt to secure an extension of the project from the Donor.</p> | <p>The undrawn balance relates the sustainability component of the project. The OBA payments were originally structured so that NCWSC was eligible for 50 percent of the subsidy on verification of working connections. The remaining 50 percent was to be paid after verification of 6 months of sustained service delivery, as evidenced by billing records. Due to delays in project implementation we only managed about 30% of the sustainability funds hence the balance was not drawn as we did not meet the conditions to claim.</p> |
| <p><b>2. Project Closure Reports</b></p>  | <p>As reported in the previous year, according to paragraph 1.2 of the financial statements, the project completion date was 30 June 2019. Review of special account reports revealed that grants were last received in 2018. Further the certificate of substantial completion dated 26 August, 2019 indicated that the defects liability period of the work would expire on 8 July 2020. However, the project closure report was not availed for audit review, being more than one year after the expiry of the defects liability period. In the absence of this project closure report, it was not possible to confirm the actual status of the project.</p>  | <p>The project final report and the final output verification report are available and attached.</p>  |

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**16. ANNEX 1 – VARIANCE EXPLANATIONS – COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

|  | Final Budget | Actual on Budget | Utilization | % of        | Comments on |
|--|--------------|------------------|-------------|-------------|-------------|
|  | a            | Comparable Basis | Difference  | Utilization | Variance    |
|  | a            | b                | c=a-b       | d=b/a %     |             |
| <b>Receipts</b>  |              |                  |             |             |             |
| Transfer from Government entities  | -            | -                | -           | -           |             |
| Proceeds from domestic and foreign grants                                | 0            | 0                | 0           | 0%          |             |
| Proceeds from borrowings   | -            | -                | -           | -           |             |
| Misc receipts-Co-funding by NCWSC)                                       | 0            | 0                | 0           | 100%        |             |
| <b>Total Receipts</b>  | <b>0</b>     | <b>0</b>         | <b>0</b>    | <b>100%</b> |             |
| <b>Payments</b>  |              |                  |             |             |             |
| Compensation of employees  | -            | -                | -           | -           |             |
| Purchase of goods and services (Works and consultancy)                   | 0            | 0                | 0           | 100%        |             |
| Other grants and transfers (Co-funding (finance costs) and bank charges) | 0            | 0                | 0           | 100%        |             |
| <b>Total payments</b>  | <b>0</b>     | <b>0</b>         | <b>0</b>    | <b>100%</b> |             |

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**17. ANNEX 2A – ANALYSIS OF PENDING BILLS**

| Supplier of Goods or Services      | Original Amount | Date Contracted | Amount Paid To-Date | Outstanding Balance 2023 | Outstanding Balance 2022 | Comments |
|------------------------------------|-----------------|-----------------|---------------------|--------------------------|--------------------------|----------|
|                                    | a               | b               | c                   | d=a-c                    |                          |          |
| <b>Sub-Total</b>                   | <b>kshs</b>     | <b>kshs</b>     | <b>kshs</b>         | <b>kshs</b>              | <b>Kashs</b>             |          |
| <b>Construction of civil works</b> |                 |                 |                     |                          |                          |          |
| 1. Interways works –invoice        | 0               |                 | 0                   | 0                        | 0                        |          |
|                                    |                 |                 |                     |                          |                          |          |
| <b>Sub-Total</b>                   | <b>0</b>        |                 | <b>0</b>            | <b>0</b>                 | <b>0</b>                 |          |
| <b>Sub-Total</b>                   |                 |                 |                     |                          |                          |          |
| <b>Supply of services</b>          |                 |                 |                     |                          |                          |          |
| 2. Elly Aguko- consultancy         | 0               |                 | 0                   | 0                        | 0                        |          |
| 3. Losai management ltd            | 0               |                 | 0                   | 0                        | 0                        |          |
| 4.                                 |                 |                 |                     |                          |                          |          |
| <b>Sub-Total</b>                   | <b>0</b>        |                 | <b>0</b>            | <b>0</b>                 | <b>0</b>                 |          |
| <b>Grand Total</b>                 | <b>0</b>        |                 | <b>0</b>            |                          | <b>0</b>                 |          |

**18. ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS**

As explained in note 9.2 there were no pending staff bills during the period.

**19. ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES**

As explained in note 9.3 there were no pending staff bills during the period.

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**20. ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**

| <b>Asset class</b>                            | <b>Opening Cost<br/>(KShs)<br/>2017/18</b> | <b>*Purchases/Additions<br/>in the Year<br/>(KShs)<br/>2022/23</b> | <b>**Disposals in<br/>the Year<br/>(KShs)<br/>2022/23</b> | <b>Transfers<br/>in/(out)<br/>Kshs<br/>2022/23</b> | <b>Closing Cost<br/>(KShs)<br/>2023</b> |
|---|--|--|---|--|---|
|   | <b>(a)</b>                                 | <b>(b)</b>   | <b>(c)</b>  | <b>(d)</b>   | <b>(e)= (a)+ (b)-(c)+(-)d</b>           |
| <b>Land</b>                                   |  |  |   |  |   |
| <b>Transport<br/>equipment/Motor vehicles</b> | <b>10,800,000</b>                          | -  | -   | -  | <b>10,800,000</b>                       |
| <b>Total</b>                                  | <b>10,800,000</b>                          | -  | -   | -  | <b>10,800,000</b>                       |

**APPENDICES**

- i. Bank Reconciliations
- ii. Special Deposit Account(s) reconciliation statement(s)

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**21. ANNEX 4 - FIXED ASSETS REGISTER**

|   | ASSET DESCRIPTION         | ASSET CATEGORY | ASSET NO. | ACQUISITION DATE | PURCHASE COST(KSHS) | PHYSICAL LOCATION          | CURRENT CONDITION |
|---|---------------------------|----------------|-----------|------------------|---------------------|----------------------------|-------------------|
| 1 | Isuzu Dmax 716 TFS Pickup | Motor Vehicle  | KCR 073F  | 18/04/2018       | 5,400,000           | Informal settlement Region | In good condition |
| 2 | Isuzu Dmax 716 TFS Pickup | Motor Vehicle  | KCQ 914Z  | 18/04/2018       | 5,400,000           | Ngethu Department          | In good condition |
|   |                           |                |           |                  | 10,800,000          |                            |                   |