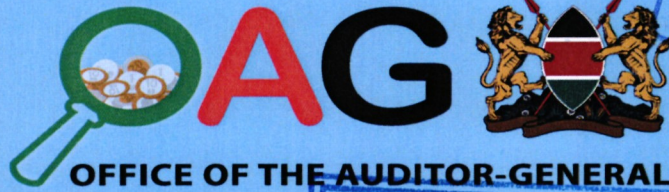


REPUBLIC OF KENYA



Enhancing Accountability

REPORT THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 03 MAY 2023 DAY: Wednesday

OF BY: Hon. Kimani Ichung'uah
(Leader of the Majority Party)

CLERK-AT THE-TABLE: Kalamu

THE AUDITOR-GENERAL

ON

**KENYA TOWNS SUSTAINABLE WATER
SUPPLY AND SANITATION PROGRAM
(LOAN NO.2000200000501)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

**ATHI WATER WORKS DEVELOPMENT
AGENCY (AWWDA)**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

15 NOV 2022

RECEIVED



Project Name:
Kenya Towns Sustainable Water Supply and Sanitation Program

Implementing Entity:
Athi Water Works Development Agency

PROJECT NUMBER: P-KE-E00-011

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2022

TABLE OF CONTENTS	PAGE
1. PROJECT INFORMATION AND OVERALL PERFORMANCE	iii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES.....	xv
3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xvi
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xix
5. REPORT OF THE AUDITOR GENERAL ON THE KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROJECT	xx
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022	2
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 TH JUNE 2022	3
9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 TH JUNE 2022	4
10. SIGNIFICANT ACCOUNTING POLICIES.....	5
11. NOTES TO THE FINANCIAL STATEMENTS	10
12. OTHER IMPORTANT DISCLOSURES	24
13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS.....	25
14. ANNEXES	29

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Kenya Towns Sustainable Water Supply and Sanitation Program,

Objective: The key objective of the program is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns within Athi, Tanathi and Coast Water Works Development Agencies' areas of jurisdiction.

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

The address of its registered office is:

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

Contacts: The following are the project contacts

Telephone: (254) 0202724292/3

E-mail: info@awwda.go.ke

Website: www.awwda.go.ke

1.2 Project Information

Project Start Date:	The project start date is 9th January 2017
Project End Date:	The project initial end date was 31st December 2021 , it was extended to 31st December 2023
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsor is the African Development Bank (AfDB)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water, Sanitation and Irrigation
Project number	P-KE-E00-011
Strategic goals of the project	The strategic goals of the project are as follows: The main objective of the program is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns in the Athi Cluster's area
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> • Development of water and waste water infrastructure in Limuru, Kikuyu , Kiambu,

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

	<p>Kitui, Machakos, Mombasa and Malindi.</p> <ul style="list-style-type: none"> • Undertake institutional development for AWWDA, TAWWDA, CWWDA, WASREB and WRA • Climate adaptation support for AWWDA, TAWWDA, CWWDA
<p>Other important background information of the project</p>	<p>The Kenya Towns Sustainable Water Supply and Sanitation Program project covers the whole country, covering the nine water works development agencies, Water services Regulatory Authority and Water resources Authority, but with only three water works development agencies as the implementing agencies.</p> <p>Athi Water Works Development Agency (AWWDA) is implementing agency for projects within areas covered by AWWDA, Coast, Tanathi WWDA, Water Services Regulatory Authority (WASREB) and Water Resources Authority (WRA). Athi (AWWDA) will lead the implementation of sub-projects within Athi, Tanathi and Coast WWDA's areas. The consortium of the five institutions is referred to as 'The Athi Cluster'.</p> <p>Subsequently AWWDA entered into implementation agreements with CWWDA and TAWWDA whereby the project execution roles are shared by the three agencies. The project has four facilities namely: The ADB loan, the ADF loan, ADF Grant, and MIC TAF grant.</p> <ul style="list-style-type: none"> • AWWDA and CWWDA were beneficiaries of the ADB loan only • WASREB and WRA were beneficiaries of ADF loan only • TAWWDA benefited from ADB loan, ADF loan, ADF grant and MIC TAF grant • AWWDA was also tasked to be in charge of the panel of experts responsible for the review of the dams being designed under the project across the country. The budget for the panel of experts is financed under the ADF loan. <p>The table below gives a breakdown of the budget allocations per agency per facility</p>

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

ATHI CLUSTER BUDGET PER AGENCY PER FACILITY	
	Budget Amount (Kshs)
ADB loan	
AWWDA	6,119,577,734
TAWWDA	5,211,725,247
CWWDA	1,137,902,029
	12,469,205,010
ADF LOAN	
WASREB	76,000,000
WRA	35,000,000
AWWDA-PANEL OF EXPERTS	41,580,764
TAWWDA	141,950,000
	294,530,764
ADF GRANT	
TAWWDA	51,476,267
MIC TAF GRANT (Grant is in USD 497,275)	
TAWWDA	51,476,267
In addition to the above loan, the government of Kenya is required to: <ul style="list-style-type: none"> • Finance additional cost of approximately Kshs. 2 Billion for implementation of Resettlement Action Plans and land acquisition • Pay any taxes either in the form of actual payment or through tax exemption • Finance any operational costs that will be incurred during project implementation 	
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: <ul style="list-style-type: none"> (i) To support water supply infrastructure in 1 town and sanitation infrastructures in 4 towns, providing more than 100,000 people with reliable and sustainable water supply services and more than 250,000 people with water-borne sewerage systems (ii) To create more than 2000 jobs during and after the construction
Project duration	The project started on 9 th January 2017 and is expected to run until 31 st December 2023.

1.4 Bankers

The donor funding is wholly direct payment and there was no project account opened. AWWDA got an approval from the National Treasury to open development fund account for efficient management of all the project's GoK counterpart funds. The Gok Counterpart funds are monitored and accounted for by the use of a fund accountability statement. The development was opened at:

Cooperative Bank of Kenya
Upper Hill Branch
NAIROBI

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

1.5 Auditors

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

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Michael M. Thuita, MBS	Chief Executive Officer	Bsc, Agricultural Engineering, IEK	Accounting Officer
Eng. Joseph Kamau	Chief Manager, Water and Sanitation Services	Bsc. Civil Engineering, IEK	Project Manager
Alphaxard Kithoko	Ag. Manager-Sewer & Sanitation Infrastructure Development	Bsc. Civil Engineering	Project Coordinator
Keziah Adhiambo	Principal Environmental officer	Msc Environmental studies	Project environmentalist
Loise Kamau	Manager-Environment and Safeguards	BA Social studies	Project sociologist
Dr. Christine Mawia Julius	Manager-Finance and Accounts	Doctorate, MBA, CPA-K	Project accountant
Ann Gacheri	Principal Procurement Officer	MBA	Project procurement officer

1.7 Funding summary

The project duration was for four years from 2017 to 2021 but it was extended by 2 years to December 2023, with an approved budget of donor financing totalling to UA 89,750,732 broken down into: ADB loan (UA 86,983,974) equivalent to Kshs 12,469,205,011, ADF loan (UA 2,054,618) equivalent to Kshs 294,530,764, ADF grant (UA 359,093) equivalent to Kshs 51,476,267 and MIC TAF grant (UA 353,046) equivalent to Kshs 50,609,342. The GoK counterpart financing for the project was Kshs 2 billion equivalent to UA 13,951,808; it was meant to finance land compensation, project operation costs and taxes (through exemptions). The table below gives the funding summary per agency, per facility.

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022*

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30/06/2022)		Undrawn balance to date (30/06/2022)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
ADF Grant-TAWWDA	359,093	51,476,267	291,016	41,717,309	68,078	9,758,958
MIC-TAF Grant TAWWDA	353,046	50,609,342	291,016	41,717,309	62,030	8,892,033
(ii) Loan ADB						
AfDB-AWWDA	42,689,585	6,119,577,734	19,073,537	2,734,202,986	23,616,048	3,385,374,748
AfDB-TAWWDA	36,356,494	5,211,725,247	10,816,890	1,550,607,653	25,539,604	3,661,117,594
AfDB-CWWDA	7,937,895	1,137,902,029	2,929,093	419,887,230	5,008,802	718,014,799
Sub-total ADB loan	86,983,974	12,469,205,011	32,819,520	4,704,697,870	54,164,454	7,764,507,141
(iii) Loan ADF						
ADF-AWWDA	290,063	41,580,764	188,883	27,076,421	101,181	14,504,343
ADF-TAWWDA	990,230	141,950,000	462,863	66,351,630	527,367	75,598,370
ADF-WASREB	530,169	76,000,000	6,976	1,000,000	523,193	75,000,000
ADF-WRA	244,157	35,000,000	241,897	34,676,054	2,260	323,946
sub-total ADF loan	2,054,618	294,530,764	900,618	129,104,104	1,154,000	165,426,660
(iv) Counterpart funds						
Government of Kenya	13,951,808	2,000,000,000	3,691,115	529,123,500	10,260,693	1,470,876,500
Total	103,702,540	14,865,821,383	37,993,284	5,446,360,092	65,709,255	9,419,461,291

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

B. Application of funds

Application of funds	Amount received to date – (30/06/2022)		Cumulative Amount Paid to date – (30/06/2022)		Unutilised balance to date (30/06/2022)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
ADF Grant-TAWWDA	291,016	41,717,309	291,016	41,717,309	0	0
MIC-TAF Grant TAWWDA	291,016	41,717,309	291,016	41,717,309	0	0
(ii) Loan ADB	0					
AfDB-AWWDA	19,073,537	2,734,202,986	19,073,537	2,734,202,986	0	0
AfDB-TAWWDA	10,816,890	1,550,607,653	10,816,890	1,550,607,653	0	0
AfDB-CWWDA	2,929,093	419,887,230	2,929,093	419,887,230	0	0
Sub-total ADB loan	32,819,520	4,704,697,870	32,819,520	4,704,697,870	0	0
(iii) Loan ADF						
ADF-AWWDA	188,883	27,076,421	188,883	27,076,421	0	0
ADF-TAWWDA	462,863	66,351,630	462,863	66,351,630	0	0
ADF-WASREB	6,976	1,000,000	6,976	1,000,000	0	0
ADF-WRA	241,897	34,676,054	241,897	34,676,054	0	0
sub-total ADF loan	900,618	129,104,104	900,618	129,104,104	0	0
(iv) Counterpart funds						
Government of Kenya	3,691,115	529,123,500	918,372	131,649,106	2,772,743	397,474,394
Total	37,993,284	5,446,360,092	35,220,541	5,048,885,698	2,772,743	397,474,394

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

1.8 Summary of Overall Project Performance:

CONTRACTS UNDER AWWDA				
PROJECT	SCOPE	TIMELINES	Q4	CHALLENGES
Gatundu water supply and sewerage project	<ul style="list-style-type: none"> • Construction of 35km of trunk and reticulation sewers • construction of 3 water intake weirs at Handege, at Ituru and Ngenda • Construction of three water treatment plants • 4 Construction of 50km clear water distribution lines. <p>Cost of Contract Kshs 1,750,800,775.34 exclusive of VAT.</p>	<p>Start: February 2019</p> <p>End: September 2022</p>	Overall progress of works achieved is 35%	<ul style="list-style-type: none"> • Delays in acquisition of land for water intake and treatment plants • Wayleave Challenges for sewerage component. • Delayed payments of IPC 4
Kiambu/Ruaka water supply and sewerage project	<p>Rehabilitation of existing Kiambu WWTP, Rehabilitation of existing sewerage network, Construction of 60km of trunk and reticulation Kiambu network Construction of 35Km trunk and reticulation sewers with Ruaka area, Water Supply Project - Construction of 20km water distribution network. Connections included in the project.</p> <p>Cost of Contract Kshs 1,292,917,545.01 exclusive of VAT</p>	<p>Start: January 2019</p> <p>End: October 2022</p>	Overall progress of works achieved is 80%	<ul style="list-style-type: none"> • Delays in acquisition of way leave for sewers & encroachment i.e., Kanda Komu, Ruaka, Riara • Delay in payment affecting cash flow. • Delay in land acquisition of Kiameru t/works.
Limuru water supply and sewerage project	<ul style="list-style-type: none"> • Rehabilitation of existing Limuru STW and upgrading existing sewerage network, • Construction of a new Sewage Treatment Works, • Extension of sewerage network by 31Km new sewers • Construction of 20km, water distribution network. <p>Cost of Contract Kshs 576,508,513.11 exclusive of VAT</p>	<p>Start: February 2019</p> <p>End: October 2022</p>	Overall progress of works achieved is 80%	<ul style="list-style-type: none"> • Encroachment of wayleave. • Escalating cost of material for use in the project.

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

<p>Kikuyu water supply and sewerage project</p>	<ul style="list-style-type: none"> • Construction of 55Km Trunk and reticulation sewer network, • Construction of 20km water distribution network. Connections included in the project. <p>Cost of Contract Kshs 635,993,481.75 exclusive of VAT</p>	<p>Start: November 2018</p> <p>End: December 2022</p>	<p>progress of works achieved is 80%</p>	<ul style="list-style-type: none"> • Encroachment of wayleave
<p>Makutano Water and Sewerage Project</p>	<p>Makutano Sewerage</p> <p>Laying of 12.5km of 600/450/300 dia. PCC trunk sewer pipeline, Sewerage treatment plant of capacity 3,000m³/d (Phase 1), 15.5km of reticulation sewers and provision of 1000 household sewer connections. Also, rehabilitation of the Ablution block in Kangari market</p> <p>Makutano/Kenol Water Supply</p> <p>Laying of 34.9km, 200mm dia. and 11.0km, 160mm dia. HDPE treated water pipeline, construction of 2no. 250m³ masonry tank and Laying of 152km of distribution pipelines in underserved areas within the Murang'a</p> <p>Cost of Contract Kshs 689,651,517.67 exclusive of VAT</p>	<p>Start: November 2020</p> <p>End: April 2023</p>	<p>progress of works achieved is 40%</p>	<ul style="list-style-type: none"> • Delay in payment for contractor's IPC 5, 6 affecting cash flow.

Goods-AWWDA

Project Name	Project Scope	Progress to date	Challenges
<p>Supply and delivery of Office equipment for AWWDA</p>	<p>The contract was signed at a contract sum of Kshs 15,821,483 exclusive of taxes. It was for supply of office equipment including office laptops, desktops and printers</p>	<p>The contract is completed</p>	<p>None</p>
<p>Supply, Delivery and Installation of an Integrated Enterprise Planning (ERP) System for Athi Water Services Board</p>	<p>The contract was awarded on 22nd February 2019 at a contract sum of Kshs 51,724,137.93 exclusive of VAT being the supply and delivery of ERP and all the necessary hardware.</p>	<p>Contract is on course, Implementation on-going</p>	<p>None</p>

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

Project Name	Project Scope	Progress to date	Challenges
Supply and delivery of 3 No. vehicle mounted sewer flushing units	The supply was awarded at a contract price of Euros 638,000 exclusive of taxes	The sewer flushing units are already supplied, the payments are being processed	None
Supply and delivery of Non-Revenue water management equipment	The contract was awarded at a contract price of Kshs 145,569,449.72 exclusive of taxes on 13 th March 2020;	The contract is completed	None

Consultancies-AWWDA

Project Name	Consultancy Scope	Progress to date	Challenges
Consultancy Services for Design Review and Supervision of Gatundu Water Supply and Sewerage Project	Design review, tender documentation and construction supervision of water and sewerage works Consultancy period is 37 Months Cost of Contract Kshs 102,580,770.00 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 43,917,926.25 for certificates 1- 6	None
Consultancy Services for Design Review and Supervision of Limuru and Kikuyu Water Supply and Sewerage Project	Design review, tender documentation and construction supervision of water and sewerage works Consultancy period is 37 Months Cost of Contract Kshs 101,754,530.00 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 65,684,941.60 for certificates 1- 8	None
Consultancy Services for Design Review and Supervision of Kiambu and Ruaka Water supply and Sewerage Project	Design review, tender documentation and construction supervision of water and sewerage works Consultancy period is 37 Months Cost of Contract Kshs 83,263,530.00 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 54,811,941.60 for certificates 1-8	None
Consultancy Services for Design Review and Supervision of Makutano water and sanitation project	Design review, tender documentation and construction supervision of water and sewerage works. The cost of the contact Kshs 74,115,000.00 exclusive of VAT	The consultancy is on course and has disbursed up to Kshs 15,901,750.00 for certificate 1-5	None

Independent Panel of Experts-AWWDA

Consultancy Scope	Progress to date	Challenges
-------------------	------------------	------------

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

	Consultancy Scope	Progress to date	Challenges
IOANNIS KARAVOKYRIS	The Independent Panel of Experts is on course Amounts disbursed by the IPE's for certificates 1-4 are; Ioannis Karavokyris- Kshs 4,270,695.43 Angelina Nduta- Kshs 1,767,806.00 George T. Dounias- Kshs 4,428,002.58 Ljiljana Spasic-Gril- Kshs 10,159,383.23	<ul style="list-style-type: none"> • Feasibility Study • Preliminary and Detailed Design Report, Including planning of surveys • Resettlement Action Plan report • Final Environmental and Social Impact Assessments (ESIA) study report • Terms of Reference 	<ul style="list-style-type: none"> • The contract is on course
ANGELINA NDUTA MWENDE			
GEORGE T. DOUNIAS			
LJILJANA SPASIC-GRIL			

Progress projects in TAWWDAs area

Project Name	Project Scope	Progress to date	Challenges
Works			
Machakos Water Supply Project	Scope of works <ul style="list-style-type: none"> • 15m high Earth Dam • 58km raw and treated water mains • Storage tanks Cost – Kshs 1,070,693,554.13	Overall progress at 40%	Lack of land for the Katelembu Tank. Increase in cost of materials for use in the permanent works for the project.
Machakos Sewerage Project Scope of works	Scope of works <ul style="list-style-type: none"> • Laying 60km of sewers • Waste water Treatment Plant 12,500m³/d • 2000 connections 	Works ongoing, currently at 31% progress	Wayleave issues for the proposed waste water treatment site and 6km of the trunk mains.
Mwala – Mbiuni Water Supply and Sewerage Project	Scope of works Mwala – Mbiuni Water Supply and Sewerage Project Scope of Works 1.65m RC Weir 120km Water Line Construction Storage tanks Kshs 576,508,513.11 exclusive of VAT	There was no works progress during 2021/2022FY. The contract termination at advanced stages	None
Last mile connectivity (Kitui and Matuu)	Scope of works 40km water distribution lines 40km Sewer lines	Works ongoing at 36% progress	Escalation of price for materials especially pipes, fittings and steel for use within the project works. This has affected the

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

Project Name	Project Scope	Progress to date	Challenges
	Cost – Kshs 860m		contractor's cash flow.
Consultancies			
CAS consultants ltd	Feasibility study, detailed design and tender documentation for Mwanja/Miwongoni. Feasibility study is complete. Geotechnical studies and preliminary designs have commenced. The contract is on course and has disbursed Kshs 55,170,000.00 being the payment for 1-3		None
Oloolotikosh Dam water supply studies	Consultancy for Oloolotikosh-Kitengela - Kajjado water supply and sanitation project. Feasibility study complete and Preliminary designs complete. Detailed designs ongoing. The contract is on course and has disbursed approximately Kshs 82,362,026.73 being the value of certificate 1-7		None
CAS consultants ltd	Consultancy services for design and supervision of Mwala cluster water and sanitation. The consultancy was tied to the works contract which is under termination therefore there was no progress in the financial year		The consultancy could not progress owing to the demobilization of the contractor
Tscet Tunisie and Losai Engineering	Consultancy services for design review and construction supervision of Machakos water and sewerage works. The contract is on course and has disbursed up to Kshs 77,307,461.55		None
Tertiary Consulting Engineers JV Saman Co. Ltd	Consultancy Services for Design Review and Supervision of Kitui and Matuu Towns Last mile connectivity for Water Supply and Sanitation Works. The contract is on course and had disbursed Kshs 32,265,550.00 being the value of certificate 1-5		None
Goods			
Next technologies	Supply, Delivery and Installation of an Integrated Enterprise Planning (ERP) System for Tanathi Works development Agency (formerly Tanathi Water Services Board). The contract is on course and had disbursed up to Kshs 43,465,517.25		None

Progress of contracts under CWWDA's area

Project Name	Project Scope	Progress to date	Challenges
Works			
Construction of changamwe repooling water works	Scope of works Rehabilitation and laying of 15.8km of sewers Cost – Kshs 204,483,295	Works on-going at 20% progress	Contractor demobilized from site.

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

Project Name	Project Scope	Progress to date	Challenges
Pemba Water Supply Project	Scope of works Rehabilitation of pemba weir and construction of a water treatment Plant of 3,000m ³ /d. Cost – Kshs 286,801,675.00	Works on-going at 90% progress	Delayed payments
Construction Works For Water Distribution For Malindi/Watamu	Construction Works For Water Distribution For Malindi/Watamu	Works on-going at 65% progress	Delay in issuance of master list.
Services			
Consultant Name	Details		
Interconsult Consulting Engineers	Consultancy Services for Design Review and Supervision of Pemba and Changamwe re-pooling Water supply and Sewerage Project. The contract disbursed up to Kshs 39,060,000.00 for certificates 1-6		Contract on course
Interconsult Engineers Limited	Consultancy Services for Design Review and Supervision of Watamu project. The contract is on course and had disbursed up to Kshs 15,610,000.00 for certificate 1-6.		

The overall progress of the project was low be

The overall project progress was good except for the two projects; Changamwe repooling works and Mwala water supply and sewerage projects.

The main challenges experienced in the year were:

- Budget exhaustion
- delayed RAP implementation
- courts cases affecting failed projects

1.9 Summary of Project Compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the Kenya Towns Sustainable Water Supply and Sanitation Program- Athi cluster is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns in the Athi cluster's areas of jurisdiction.

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
Kenya Towns Sustainable Water Supply and Sanitation Program	To improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns	1000km	Length of water pipes laid	389
		20	No of water treatment plants constructed/upgraded	5
		17	No. of intake structures constructed /rehabilitated	1
		500km	Length of sewer pipes laid	206
		17	No. of waste water treatment plants constructed/upgraded	1
		67	No. of ablution blocks constructed	1
		11, 19	No. of laboratories constructed, supplied with equipment	1
		7	No. of exhausters procured	0
		800 (at least 30% women)	No. of WSP/WSB staff trained	0
		20	No. of climate mainstreamed WSP business plans developed/revised (gender-informed)	0
12	No. of studies prepared for future investments	0		

3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Athi Water Works Development Agency (AWWDA) is a state corporation established by the Water Act 2016 under the Ministry of Water, Sanitation and Irrigation covering Nairobi City County, Kiambu County and Murang'a County. Its key responsibility as defined by the Water Act 2016 is to;

1. Undertake the development, maintenance and management of National Public Waterworks,
2. Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of waterworks are handed over to a county government, joint committee, authority of county government or water services provider,
3. Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee,
4. Provide technical services and capacity building to such county government and water providers,
5. Provide to the cabinet secretary technical support in discharging of his or her functions under the Water Act 2016.

Sustainability strategy and profile -

In performing her mandate, Athi Water is committed to perform ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. AWWDA undertakes to conduct business in a way which will achieve sustainable growth, in line with legal and moral obligations. We aim to achieve our business objectives in a caring and responsible manner taking into account economic, social and environmental impacts.

Environmental performance

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and practices that contribute to the quality of environment on a long-term basis as well acceptable social norms over the long term.

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

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

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

AWWDA has a structured way of managing the environmental and social aspects associated with its operations through the existing Environmental and Social Safeguards division with a total of 10 permanent staff.

***Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022***

Pollution prevention, regulatory compliance, stakeholder engagement, public consultation and continual improvement are the key elements which underpins AWWDA environmental sustainability.

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

Approach

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

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

IFI	Environment Safeguards Instruments	Description of safeguards
African Development Bank	Operational Safeguards (OS)	OS 1: Environmental and Social Assessment. OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation. OS 3: Biodiversity and Ecosystem Services. OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency. OS 5: Labour Conditions, Health and Safety.
World Bank	Environmental and Social Standards (ESS)	ESS1: Assessment and Management of Environmental and Social Risks and Impacts ESS2: Labor and Working Conditions ESS3: Resource Efficiency and Pollution Prevention and Management ESS4: Community Health and Safety ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities ESS8: Cultural Heritage ESS9: Financial Intermediaries ESS10: Stakeholder Engagement and Information Disclosure.
KfW	Sustainability Guidelines	

1. Employee welfare

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

***Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022***

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

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

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

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

2. Market place practices-

AWWDA ensures incorporation of competitive market practices through, encouraging competitive bidding by Placing advertisements for all tenders in our local dailies, our website and The Govt. of Kenya Treasury portal. This enables all prospective bidders to access the information and to participate. At the close of all tenders, representatives who choose to attend are invited to witness the opening of the tenders to ensure transparency in the bidding process. All the participants are informed of the outcome of the procurement process.

AWWDA has always maintained an effective feedback mechanism by holding an annual supplier meeting to get feedback from suppliers and contractors. Any concerns raised during the forum are adequately addresses. All engagements between AWWDA and suppliers and/or contractors take the form of purchase orders and contracts which are signed by both parties and they clearly enumerate responsibilities and obligations of either party. The payment schedules also form part of the contracts and they are strictly adhered to during the contract period.

AWWDA encourages public participation and also clearance by relevant Govt agencies to ensure consumer rights and interests are not infringed

3. Community Engagements-

During the 2021/2022FY AWWDA continued to ensure enhanced access to water across our area of jurisdiction.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Chief Executive Officer of Athi Water Works Development Agency (AWWDA)* and the *Project Coordinator for Kenya Towns Sustainable Water Supply and Sanitation Program Athi cluster* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2022.

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 (v) Making accounting estimates that are reasonable in the circumstances.

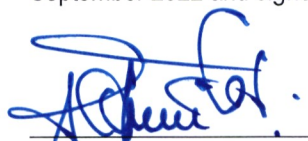
The *Chief Executive Officer AWWDA* and the *Project Coordinator for Kenya Towns Sustainable Water Supply and Sanitation Program Athi cluster* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The *Chief Executive Officer of AWWDA* and the *Project Coordinator for Kenya Towns Sustainable Water Supply and Sanitation Program Athi cluster* are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2022, and of the Project's financial position as at that date. The *Chief Executive Officer for AWWDA* and the *Project Coordinator for Kenya Towns Sustainable Water Supply and Sanitation Program Athi cluster* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Chief Executive Officer of AWWDA* and the *Project Coordinator for Kenya Towns Sustainable Water Supply and Sanitation Program Athi cluster* confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the *Chief Executive Officer Athi Water Works Development Agency and the Project Coordinator for Kenya Towns Sustainable Water Supply and Sanitation Program Athi Cluster* on 29th September 2022 and signed by them.



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS



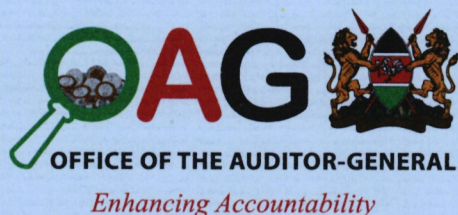
Project Manager
Name: Eng. Joseph Kamau



Project Accountant:
Name: Dr. Christine Mawia Julius
ICPAK Member Number: 6458

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAM (LOAN NO.2000200000501) FOR THE YEAR ENDED 30 JUNE, 2022 - ATHI WATER WORKS DEVELOPMENT AGENCY (AWWDA)

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 Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the 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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution 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 Kenya Towns Sustainable Water Supply and Sanitation Program (Loan No.2000200000501) – AWWDA set out on pages

Report of the Auditor-General on Kenya Towns Sustainable Water Supply and Sanitation Program (Loan No.2000200000501) for the year ended 30 June, 2022 - Athi Water Works Development Agency (AWWDA)

1 to 28, which comprise the statement of financial assets as at 30 June, 2022 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 Kenya Towns Sustainable Water Supply and Sanitation Program - AWWDA as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis), the Public Finance Management Act, 2012 and comply with the Loan Agreement No.2000200000501 dated 9 January, 2017 between the African Development Bank and the Republic of Kenya.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year under review reflects budgeted receipts of Kshs.1,896,000,000 and actual receipts of Kshs.1,470,515,653 resulting to a budget shortfall of Kshs.425,484,347 or 22%.

Further, the statement reflects budgeted expenditure of Kshs.1,896,000,000 and actual expenditure of Kshs.1,431,998,611 resulting to under absorption of Kshs.464,001,389 or 24%.

The shortfall of Kshs.425,484,347 and under absorption of Kshs.464,001,389 represents planned and expected but not delivered goods and services to the residents of the Program area which may be an indicator of poor budget planning process. There is

therefore need for the Program Management to re-look at its budget making mechanism in a bid to come up with more realistic budgets.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Separate Project Bank Account

Audit review revealed that Athi Water Works Development Agency operates one bank account at Co-operative Bank for all the projects under its control. Review of the bank statement revealed that the account had a bank balance of Kshs.595,009,769 as at 30 June, 2022 while the bank reconciliation statement indicated cash book balance of Kshs.537,031,407. These funds were commingled with other projects funds contrary to Section 76(1) of the Public Finance Management (National Government) Regulations, 2015.

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

2.0 Stalled Projects

2.1 Changamwe Re-pooling Sewer Network

The Contract No. AWSB/AFDB/KTSWSSP/W/09/2018 for the works was awarded to a Company at a contract sum of Kshs.204,483,295 while the contract commencement date was 14 December, 2018 and the expected completion date was 14 June, 2020, which was later extended to 14 January, 2021. As at 30 June, 2022, the contractor had been paid Kshs.72,816,261.

However, review of the documents presented for audit revealed that the project had stalled due to a court order issued for an ongoing lawsuit by the contractor against the AWWDA for breach of contractual agreement that restrained the AWWDA from evicting the Contractor from the possession of the construction site and appointing another contractor to proceed with the construction work, pending the hearing and determination of the suit.

Further, physical verification done in October, 2022 revealed that the manholes constructed had been vandalized and filled with litter. This will require removal of the litter for the construction to proceed which will attract further costs. In addition, the piping works

were done about 3km out of the expected 15km with overall work completed at only 15%. It is therefore not clear if the works would be completed due to the ongoing lawsuit.

In the circumstances, the value for money for the expenditure amount of Kshs.72,816,261 may not be realized.

2.2 Construction of Mwala Cluster Water Supply Project

The Contract No. AWSB/AFSDB/KTSWSSP/W/08-A/2018 for the works was awarded to Contractors at a contract sum of Kshs.583,332,778 with the commencement date of 1 April, 2019 and expected completion date of June, 2020, which was later extended to 5 August, 2021. However, the contract was terminated on 24 May, 2022 because the contractor executed the works at a very low pace. The works completed as at the time of termination was 3% against time lapse of 180%.

Further, the contractor had been paid an amount of Kshs.133,733,822 which included Kshs.116,666,555 for advance payment and Kshs.17,067,267 for interim payment while the total value of works executed and certified amounted to Kshs.17,537,673. However, the AWWDA had performance security bond of Kshs.58,333,277 which could not guarantee recovery of the paid amounts. At the time of audit in October, 2022, the project had stalled and no evidence was provided on how the project was to be completed.

In the circumstances, the value for money for the expenditure amount of Kshs.133,733,822 may not be realized.

3.0 Delayed Project Implementation

3.1 Slow Implementation of Machakos Water Supply Project

The statement of receipts and payments and as disclosed in Note 11.8.1 to the financial statements reflects an amount of Kshs.510,329,209 in respect to acquisition of non-financial assets - TAWWDA which includes Kshs.471,860,045 for construction of civil works which further includes Kshs.228,008,804 paid to Jiangxi Water and Hydropower Construction Kenya Ltd for the construction of Machakos Water Supply Project.

However, review of the project documents and physical inspection done in October, 2022 revealed the overall project progress was at 43% and some work components including source works, raw water mains, rising mains, gravity transmission mains and electrical mechanical water supply had not started with the delay being attributed to a law suit filed by the contractor which required all project works to be stopped. The case was set aside on 29 January, 2021 and a resumption order issued to the Contractor on 08 March, 2021 except for the Miwongoni dam site.

In addition, even though the AWWDA is undertaking engagements with project affected persons (PAPs) in a bid to acquire land for the Dam site and that the National Land Commission (NLC) are finalizing on the valuation report after which compensation will begin, the process has taken long, and this may lead to several works not being completed within the contract period which may lead to cost overruns.

In the circumstances, the value for money for the expenditure amount of Kshs.228,008,804 may not be realized.

3.2 Slow Implementation of Machakos Sewerage Project

Further, the amount of Kshs.471,860,045 includes Kshs.141,706,921 paid to China Wu Yi Company Ltd and Shanxi Geological Engineering Exploration Institute Limited JV for construction of Machakos Sewerage Project.

However, review of the project documents and physical inspection done in October, 2022 revealed that some work components including sewage treatment plant, consumer connections sewer, electro mechanical sewerage and rehabilitation works had not started due to delays in acquisition of the sewer treatment plant land. The overall progress for the project was at 31% pending approval of the extension of completion date to 4 June, 2023.

In the circumstances, the value for money for the expenditure amount of Kshs.141,706,921 may not be realized.

3.3 Slow Implementation of Kitui Matuu Last Mile Project

Further the amount of Kshs.471,860,045 includes an amount of Kshs.102,144,319 paid to BMK Private Limited for the construction works for Kitui Matuu last mile connectivity of water and sanitation works in Tana Athi Water Works Development Agency areas.

However, review of the project documents revealed that the contract was signed in 18 September, 2019 with a revised completion date of 31 December, 2022. The overall work progress was 36% which was two (2) months to the end of the revised contract period which is evident that several works may not be completed within the contract period which may lead to cost overruns.

The delay was attributed to many factors including delayed submission of contractor's request for specific tax and duty exemptions for various items, lack of possession of site for Wote intake works, lack of access to the Murang'a South intake site and raw water main due to delayed issuance of the permit from Kenya Forest Services (KFS), lack of contractor's key personnel on site, inadequate mobilization of materials meant for the works and inadequate cash flow by the contractor. If amicable solutions to the challenges are not found, the project may be delayed further denying the beneficiaries the intended services.

In the circumstances, the value for money for the expenditure amount of Kshs.102,144,319 may not be realized.

3.4 Slow Implementation for Construction Works for Water Distribution for Malindi/Watamu project

The statement of receipts and payments and as disclosed in Note 11.8.2 to the financial statements reflects an amount of Kshs.100,403,387 in respect to acquisition of non-financial Assets - CWWDA which includes an amount of Kshs.89,893,387 for construction

of civil works which further includes Kshs.71,679,511 paid to Suhufi Agencies Ltd for the construction of water distribution line for Malindi/Watamu. The contract sum was Kshs.288,793,278 effective 26 August, 2020. The expected completion date was 26 February, 2022 which was later revised to 25 August, 2022 and later revised to 25 November, 2022.

However, physical verification done in October, 2022 revealed that the pipping works were in progress although the pipping connection for the hundred (100) existing consumers and the three hundred (300) new consumers had not been done. Further, the project progress was at 70% and the time lapse was at 96% which is a clear indication that the project is behind schedule compared with the agreed projects' duration.

In the circumstances, the value for money for the expenditure amount of Kshs.71,679,511 may not be realized.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the African Development Bank Loan Agreement, my report is based on my audit, that:

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

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, 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 are in compliance 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 financial reporting process, reviewing the effectiveness of how the 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 November, 2022

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021/2022			2020/2021			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	TOTAL	Receipts and payments controlled by the entity	Payments made by third parties	TOTAL	
					Kshs	Kshs	Kshs	Kshs
RECEIPTS								
Transfer from Government entities	11.1	100,000,000	-	100,000,000	125,000,000	-	125,000,000	529,123,500
Proceeds from domestic and foreign grants	11.2	-	-	-	-	26,309,937	26,309,937	83,434,618
Loan from external development partners-AWWDA	11.3	-	730,177,132	730,177,132	-	900,656,646	900,656,646	2,761,279,406
Loan from external development partners-TAWWDA	11.3.1	-	524,121,709	524,121,709	-	302,987,612	302,987,612	1,616,959,283
Loan from external development partners-CWWDA	11.3.2	-	100,403,387	100,403,387	-	142,103,288	142,103,288	419,887,230
Loan from external development partners-WASREB	11.3.3	-	1,000,000	1,000,000	-	-	-	1,000,000
Loan from external development partners-WRA	11.3.4	-	14,813,426	14,813,426	-	19,862,628	19,862,628	34,676,054
Miscellaneous receipts	11.4	-	-	-	-	-	-	-
TOTAL RECEIPTS		100,000,000	1,370,515,653	1,470,515,653	125,000,000	1,391,920,111	1,516,920,111	5,446,360,092
PAYMENTS								
Compensation of employees	11.5	-	-	-	-	-	-	-
Purchase of goods and services-AWWDA	11.6	61,482,957	33,819,313	95,302,271	19,934,316	137,432,030	157,366,346	314,603,579
Purchase goods and services-TAWWDA	11.6.1	-	13,792,500	13,792,500	-	58,198,672	58,198,672	170,493,352
Purchase goods and services-CWWDA	11.6.2	-	-	-	-	5,224,569	5,224,569	5,224,569
Purchase goods and services-WRA	11.6.3	-	-	-	-	19,862,628	19,862,628	19,862,628
Purchase goods and services-WASREB	11.6.4	-	1,000,000	1,000,000	-	-	-	1,000,000
Social security benefits	11.7	-	-	-	-	-	-	-
Acquisition of non-financial assets-AWWDA	11.8	-	696,357,818	696,357,818	-	763,224,616	763,224,616	2,578,324,934
Acquisition of non-financial assets-TAWWDA	11.8.1	-	510,329,209	510,329,209	-	271,098,877	271,098,877	1,529,900,549
Acquisition of non-financial assets-CWWDA	11.8.2	-	100,403,387	100,403,387	-	136,878,720	136,878,720	414,662,662
Acquisition of non-financial assets-WASREB	11.8.3	-	-	-	-	-	-	-
Acquisition of non-financial assets-WRA	11.8.4	-	14,813,426	14,813,426	-	-	-	14,813,426
Transfers to other government entities	11.9	-	-	-	-	-	-	-
Other grants and transfers and payments	11.10'	-	-	-	-	-	-	-
TOTAL PAYMENTS		61,482,957	1,370,515,653	1,431,998,611	19,934,316	1,391,920,111	1,411,854,428	5,048,885,698
SURPLUS/(DEFICIT)		38,517,043	-	38,517,043	105,065,684	-	105,065,684	397,474,394

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



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS



Project Manager
Name: Eng. Joseph Kamau



Project Accountant:
Name: Dr. Christine Mawia Julius
ICPAK Member Number: 6458

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2022

	Note	2021-2022	2020-2021
		Kshs.	Kshs.
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.11A	396,861,994	358,957,351
Cash Balances	11.11B		
Cash Equivalents (short-term deposits)	11.11C		
Total Cash and Cash Equivalents		396,861,994	358,957,351
Accounts receivables – Imprest and Advances	11.12	612,400	
TOTAL FINANCIAL ASSETS		397,474,394	358,957,351
REPRESENTED BY			
Fund balance b/fwd	11.14	358,957,351	253,891,667
Prior year adjustments	11.15		-
Surplus/(Deficit) for the year		38,517,043	105,065,684
NET FINANCIAL POSITION		397,474,394	358,957,351

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29th September 2022 and signed by:



Chief Executive Officer
 Name: Eng. Michael M. Thuita, MBS



Project Manager
 Name: Eng. Joseph Kamau



Project Accountant:
 Name: Dr. Christine Mawia Julius
 ICPAK Member Number: 6458

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

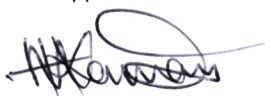
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2022

	Note	2021-2022 Kshs	2020-2021 Kshs
Receipts from operating activities			
Transfer from the Minsity	11.1	100,000,000	125,000,000
Proceeds from domestic and foreign grants	11.2	-	26,309,937
Miscellaneous receipts	11.4	-	-
		100,000,000	151,309,937
Payments from operating activities			
Compensation of employees	11.5	-	-
Purchase of goods and services-AWWDA	11.6	- 95,302,271	- 157,366,346
Purchase goods and services-TAWWDA	11.6.1	- 13,792,500	- 58,198,672
Purchase goods and services-CWWDA	11.6.2	- -	- 5,224,569
Purchase goods and services-WRA	11.6.3	- -	- 19,862,628
Purchase goods and services-WASREB	11.6.4	- 1,000,000	-
Social security benefits	11.7	-	-
Transfers to other government entities	11.9	-	-
Other grants and transfers	11.10'	-	-
Adjustments during the year			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	11.16	- 612,400	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	11.17	-	-
Prior Year Adjustments	11.15	-	-
Net cash flow from operating activities		- 10,707,171	- 240,652,215
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets AWWDA	11.8	- 696,357,818	- 763,224,616
Acquisition of Assets TAWWDA	11.8.1	- 510,329,209	- 271,098,877
Acquisition of Assets CWWDA	11.8.2	- 100,403,387	- 136,878,720
Acquisition of non-financial assets-WASREB	11.8.3	-	-
Acquisition of non-financial assets-WRA	11.8.4	- 14,813,426	-
Net cash flows from Investing Activities		- 1,321,903,840	- 1,171,202,213
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings AWWDA	11.3	730,177,132	900,656,646
Proceeds from Foreign Borrowings TAWWDA	11.3.1	524,121,709	302,987,612
Proceeds from Foreign Borrowings CWWDA	11.3.2	100,403,387	142,103,288
Proceeds from Foreign Borrowings WASREB	11.3.3	1,000,000	-
Proceeds from Foreign Borrowings WRA	11.3.4	14,813,426	19,862,628
Net cash flow from financing activities		1,370,515,653	1,365,610,174
NET INCREASE IN CASH AND CASH EQUIVALENT		37,904,643	105,065,684
Cash and cash equivalent at BEGINNING of the year		358,957,351	253,891,667
Cash and cash equivalent at END of the year		396,861,994	358,957,351

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 29th September 2022 and signed by:



Chief Executive Officer
Name: Eng. Michael M. Thuita, MBS



Project Manager
Name: Eng. Joseph Kamau



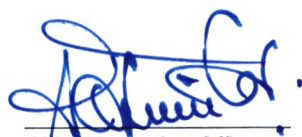
Project Accountant:
Name: Dr. Christine Mawia Julius
ICPAK Member Number: 6458

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2022

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	100,000,000		100,000,000	100,000,000	-	100%
Proceeds from domestic and foreign grants TAWWDA	21,000,000		21,000,000	-	21,000,000	0%
Proceeds from borrowings	1,775,000,000		1,775,000,000	1,370,515,653	404,484,347	77%
Miscellaneous receipts			-		-	
Sub-Total Receipts for Athi cluster	1,896,000,000	-	1,896,000,000	1,470,515,653	425,484,347	78%
Payments						
Compensation of employees	-	-	-		-	
Purchase of goods and services	165,000,000		165,000,000	110,094,771	54,905,229	67%
Social security benefits			-		-	
Acquisition of non-financial assets	1,731,000,000		1,731,000,000	1,321,903,840	409,096,160	76%
Total Payments	1,896,000,000	-	1,896,000,000	1,431,998,611	464,001,389	76%
Surplus/Deficit	-	-	-	38,517,043		

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



Chief Executive Officer
 Name: Eng. Michael M. Thuita, MBS



Project Manager
 Name: Eng. Joseph Kamau



Project Accountant:
 Name: Dr. Christine Mawia Julius
 ICPAK Member Number: 6458

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting entity

The financial statements are for Kenya Towns Sustainable Water Supply and Sanitation Program-Athi Cluster under Athi Water Works Development Agency. The financial statements are for the reporting entity (Kenya Towns Sustainable Water Supply and Sanitation Program-Athi Cluster) as required by Section 81 of the PFM Act, 2012 .

10.3 Reporting currency

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

10.4 Recognition of receipts

Kenya Towns Sustainable Water Supply and Sanitation Program-Athi Cluster recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by AWWDA and/or the contractor/consultant or supplier in the event of direct payments.

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

Significant Accounting Policies (Continued)

iv) Donations and grants

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

v) Proceeds from borrowing

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

vi) Undrawn external assistance

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

10.5 Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project and/or when the payment commitment has been approved for payment by the Ministry.

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid. This project did not have staff compensation costs.

ii) 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.

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.6 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.

10.7 Cash and cash equivalents

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

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 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.

10.9 Imprests and Advances

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

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognized because:
 - i. It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii. The amount of the obligation cannot be measured with sufficient reliability.

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

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

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.11 Contingent Assets

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

10.12 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' 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.

10.13 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 under review has been included in an annex to these financial statements.

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs 1.595 billion being loan disbursements were received in form of direct payments from third parties.

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

10.16 Comparative figures

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

10.17 Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). The project does not have any prior year adjustments.

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022*

11. NOTES TO THE FINANCIAL STATEMENTS

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2021/22	2020/21	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
Counterpart funding through Ministry of Water, Sanitation and Irrigation			
Counterpart funds Quarter 1	25,000,000	125,000,000	281,623,500
Counterpart funds Quarter 2	25,000,000		120,000,000
Counterpart funds Quarter 3	50,000,000		145,000,000
Counterpart funds Quarter 4			7,500,000
	100,000,000	125,000,000	554,123,500
Other transfers from government entities			
	-	-	-
Appropriations-in-Aid	-	-	-
Total	100,000,000	125,000,000	554,123,500

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

11.2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2022 Under the Athi cluster TAWWDA no grants were received in relation to Olootikosh Dam since the consultant hadn't attained the required milestone as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2021/2022	2020/2021
			Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)							
AfDB	2018/2019	321,451	0	46,080,249	0		0
AfDB	2019/2020	77,045	0	11,044,432	0		0
AfDB	2020/2021	183,536	0	26,309,937	0		26,309,937
AfDB	2021/2022		0		0	0	
Grants Received from Multilateral Donors (International Organisations)							
Insert name of international organization	N/A	N/A	N/A	N/A	N/A		N/A
Grants Received from Local Individuals and organisations							
Insert name of individual or local organization	N/A	N/A	N/A	N/A	N/A		N/A
Total		582,032	0	83,434,618	0	0	26,309,937

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2021/2022	2020/21
Loans Received from Bilateral Donors (Foreign Governments)		UA	Kshs	Kshs	Kshs	Kshs
African Development Bank-AWWDA	2018/2019	6,439,522	0	923,109,290		
African Development Bank-AWWDA	2019/2020	1,446,358	0	207,336,339		
African Development Bank-AWWDA	2020/2021	6,282,894	0	900,656,646		900,656,646
African Development Bank-AWWDA	2021/2022	5,093,645		730,177,132	730,177,132	
Grants Received from Multilateral Donors (International Organisations)						
N/A	0	0	0	0		
Total		19,262,420	0	2,761,279,406	730,177,132	900,656,646

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

11.3.1 Loan from external partners-TAWWDA

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2021/2022	2020/2021
Loans Received from Bilateral Donors (Foreign Governments)		UA	Kshs	Kshs	Kshs	Kshs
African Development Bank-TAWWDA	2018/2019	269,888	0	38,688,548		
African Development Bank-TAWWDA	2019/2020	5,240,030	0	751,161,415		
African Development Bank-TAWWDA	2020/2021	2,113,612	0	302,987,612		302,987,612
African Development Bank-TAWWDA	2021/2022	3,656,223	0	524,121,709	524,121,709	
Grants Received from Multilateral Donors (International Organizations)						
N/A	0	0	0	0		-
Total		11,279,752	0	1,616,959,283	524,121,709	302,987,612

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

11.3.2 Loan from external partners-CWWDA

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2021/2022	2020/2021
Loans Received from Bilateral Donors (Foreign Governments)		UA	Kshs	Kshs		Kshs
African Development Bank-CWWDA	2018/2019	762,864	0	109,356,994		
African Development Bank-CWWDA	2019/2020	474,526	0	68,023,561		
African Development Bank-CWWDA	2020/2021	991,299	0	142,103,288		142,103,288
African Development Bank-CWWDA	2021/2022	700,404	0	100,403,387	100,403,387	
Grants Received from Multilateral Donors (International Organisations)						
N/A	0	0	0	0		0
Total		2,929,093	0	419,887,230	100,403,387	142,103,288

11.3.3 Loan from external partners-WASREB

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2021/2022	2020/2021
Loans Received from Bilateral Donors (Foreign Governments)		UA	Kshs	Kshs	Kshs	Kshs
African Development Bank-WASREB	2021/2022	6,976	0	1,000,000	1,000,000	
Grants Received from Multilateral Donors (International Organizations)						
N/A	0	0	0	0		0
Total		6,976	0	1,000,000	1,000,000	0

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

11.3.4 Loan from external partners-WRA

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					2021/2022	2020/2021
Loans Received from Bilateral Donors (Foreign Governments)		UA	Kshs	Kshs	Kshs	Kshs
African Development Bank-WRA	2020/2021	138,560	0	19,862,628		19,862,628
African Development Bank-WRA	2021/2022	103,337	0	14,813,426	14,813,426	
Grants Received from Multilateral Donors (International Organizations)						
N/A	0	0	0	0		0
Total		241,897	0	34,676,054	14,813,426	19,862,628

11.4 MISCELLANEOUS RECEIPTS

The project did not have any miscellaneous receipts during the reporting period

11.5 COMPENSATION OF EMPLOYEES

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

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.6 PURCHASE OF GOODS AND SERVICES AWWDA

	2021/22			2020/21	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	1,785,480	-	1,785,480	-	12,438,865
Domestic travel and subsistence	5,714,651	-	5,714,651	7,177,122	17,087,883
Foreign travel and subsistence	-	-	-	-	2,696,858
Printing, advertising and – information supplies & services	-	-	-	10,260	19,144,162
compensation & community sensitization	37,093,824	-	37,093,824	4,977,832	54,110,905
Training payments	-	-	-	-	116,000
Hospitality supplies and services	869,652	-	869,652	-	1,693,582
Insurance costs	-	-	-	-	-
Specialised materials and services	16,019,350	-	16,019,350	-	16,591,750
Supply of non-revenue water equipment	-	-	-	136,999,679	136,999,679
Supply of Lab Equipment for WSPS	-	31,526,950	31,526,950	-	31,526,950
Panel of experts	-	2,292,363	2,292,363	8,201,453	22,196,946
Total	61,482,957	33,819,313	95,302,271	157,366,346	314,603,579

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.6.1 PURCHASE OF GOODS AND SERVICES TAWWDA

	2021/22			2020/21	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy for Oloolotikosh-Kitengela - Kajiado water supply and sanitation project	-	-	-	26,309,937	83,434,618
Feasibility study, detailed design and tender documentation for Mwanja/Miwongoni	-	13,792,500	13,792,500	-	55,170,000
Consultancy Services for Carrying out Feasibility Studies for proposed Ongata Rongai, Ngong and Mavoko Sewerage Infrastructure Project in Tanathi Water Works Development Agency Area	-	-	-	11,181,630	11,181,630
Supply and Delivery of Laboratory Equipment For Tanathi Water Works Development Agency and Water Resource Authority in 2 Lots	-	-	-	9,592,800	9,592,800
Supply of non-revenue water equipment	-	-	-	11,114,305	11,114,305
Total	-	13,792,500	13,792,500	58,198,672	170,493,353

11.6.2 PURCHASE OF GOODS AND SERVICES-CWWDA

	2021/2022			2020/2021	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Purchase of non-revenue water equipment	-	-	-	5,224,569	5,224,569
Exchange rate losses/gains (net)	-	-	-	-	-
Total	-	-	-	5,224,569	5,224,569

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.6.3 PURCHASE OF GOODS AND SERVICES-WRA

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy Services for Development Management Plans for Selected Areas & capacity Building for Water Resources Authority	-	-	-	7,316,280	7,316,280
Supply and Delivery of Laboratory Equipment for Water Resource Authority Lot 2	-	-	-	12,546,348	12,546,348
Exchange rate losses/gains (net)	-	-	-	-	-
Total	-	-	-	19,862,628	19,862,628

11.6.4 PURCHASE OF GOODS AND SERVICES-WASREB

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Consultancy Services for Development of County Water Atlas for Selected Counties	-	1,000,000	1,000,000	-	1,000,000
Exchange rate losses/gains (net)	-	-	-	-	-
Total	-	1,000,000	1,000,000	-	1,000,000

11.7 SOCIAL SECURITY BENEFITS

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

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.8 ACQUISITION OF NON-FINANCIAL ASSETS-AWWDA

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	553,228,757	553,228,757	679,514,557	2,227,243,944
Purchase of office equipment	-	-	-	-	15,821,483
Purchase, installation and operationalization of the ERP system	-	-	-	15,517,241	43,448,276
Supply and Delivery of 3 NO. Vehicle Mounted Sewer Flushing Units	-	82,973,942	82,973,942	-	82,973,942
Research, studies, project preparation, design & supervision	-	60,155,120	60,155,120	68,192,818	208,837,289
Total	-	696,357,818	696,357,818	763,224,616	2,578,324,934

11.8.1 Acquisition of non-financial assets-TAWWDA

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	471,860,045	471,860,045	246,533,854	1,389,865,264
Supply and Delivery of ERP for TAWWDA	-	11,853,448	11,853,448	7,112,068	43,465,516
Research, studies, project preparation, design & supervision	-	26,615,716	26,615,716	17,452,956	96,569,769
Total	-	510,329,209	510,329,209	271,098,877	1,529,900,549

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.8.2 Acquisition of non-financial assets-CWWDA

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	-	89,893,387	89,893,387	112,543,720	354,737,662
Supply and Delivery of Motor vehicles	-	-	-	-	-
Research, studies, project preparation, design & supervision	-	10,510,000	10,510,000	24,335,000	59,925,000
Total	-	100,403,387	100,403,387	136,878,720	414,662,662

11.8.3 Acquisition of non-financial assets-WASREB

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Acquisition of Operational Motor Vehicles	-	-	-	-	-
Total	-	-	-	-	-

11.8.4 Acquisition of non-financial assets-WRA

	2021/2022			2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Acquisition of Office Equipment	-	1,530,970	1,530,970	-	1,530,970
Acquisition of Operational Motor Vehicles	-	13,282,456	13,282,456	-	13,282,456
Total	-	14,813,426	14,813,426	-	14,813,426

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.9 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2022, there were no transfers made to other agencies however, the Kenya Towns Project-Athi cluster is administratively managed by AWWDA on behalf of TAWWDA, CWWDA, WASREB and WRA. The budget is thus domiciled at AWWDA, the project management and payments processing are done by the individual agencies. All the payments under the project are AIA in nature and the respective agencies are responsible for processing payment certificates for onward submission to AfDB for payment.

11.10 OTHER GRANTS AND TRANSFERS AND PAYMENTS

The project did not make transfers to any other entity in the period under review

11.11 CASH AND CASH EQUIVALENTS

	2021/22	2020/21
	Kshs	Kshs
Co-operative Bank of Kenya [A/C No.01141084618501]	396,861,994	358,957,351
Total	396,861,994	358,957,351

The reported cash balances comprise of GoK contribution to the project and is managed through AWWDA's development fund account. To enhance accountability, fund accountability is maintained for each project whose funds are managed through the same account. The project does not have a foreign currency account because the donor component is disbursed wholly as direct payments.

11.11A Bank Accounts

Project Bank Accounts

	2021/2022	2020/2021
	Kshs	Kshs
Foreign Currency Accounts		
N/A	-	-
Total Foreign Currency balances	=	=
Local Currency Accounts		
Co-operative Bank of Kenya [A/c No 01136084618500]	396,861,994	358,957,351
Total local currency balances	<u>396,861,994</u>	<u>358,957,351</u>
Total bank account balances	<u>396,861,994</u>	<u>358,957,351</u>

The project funds are all held in the development fund account held at Co-operative bank of Kenya and to enhance accountability for the specific GoK contribution to the project a fund accountability statement has been maintained by the project

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Special Deposit Accounts

The project does not have a special deposit account since all payments are done as direct payments.

11.11B Cash in Hand

There was no cash in hand relating to the project as at 30th June 2022

11.11C Cash equivalents (short-term deposits)

There were no short-term deposits relating to the project as at 30th June 2022

11.12 Imprests and Advances

Description	2021-2022	2020-2021
	Kshs.	Kshs.
Staff Imprests	612,400	-
Total	612,400	-

11.12B Breakdown of imprests and advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2022	Balance 2021
	Kshs	Kshs	Kshs	Kshs	Kshs
<i>Symon Mwaniki</i>	269,000	22/07/2022	269,000	269,000	-
<i>Winfred Kangai</i>	303,500	29/07/2022	303,500	303,500	-
<i>Winfred Kangai</i>	39,900	04/08/2022	39,900	39,900	-
Total	612,400		612,400	612,400	-

11.13 Deposits and Retention Monies

Description	2021-2022	2020-2021
	Kshs	Kshs
Retention	-	-
Deposits	-	-
Total	-	-

The payments under the project are in the form of direct payments. The retention monies are not disbursed by AfDB until the completion of the contracts upon which the monies are paid out directly to the contractors. Similarly, the project did not have any deposits as at 30th June 2022.

11.14 FUND BALANCE BROUGHT FORWARD

	2021-2022	2020-2021
	Kshs	Kshs
Bank accounts	358,957,351	253,891,667
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances		
Total	358,957,351	253,891,667

***Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022***

11.15 PRIOR YEAR ADJUSTMENT

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, 2022.

11.16 CHANGES IN RECEIVABLE

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Receivables as at 1 st July 2021	-	-
Closing account receivables as at 30 th June 2022	612,400	-
Change in Receivables	- 612,400	-

11.17 CHANGES IN ACCOUNTS PAYABLE

The project did not have prior year relating to account payables.

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING ACCOUNTS PAYABLE (See Annex 3A)

The pending bills related to the project as at 30th June 2022 amounted to Kshs.407,679,865 as presented by the table below:

	Balance b/f FY 2020/21	Additions for the period	Paid during the year	Balance c/f FY 2021/22
Description	Kshs.	Kshs.	Kshs.	Kshs.
Construction of civil works	-	774,395,163	490,904,935	283,490,228
Supply of goods	-	21,728,947	-	21,728,947
Supply of services	-	151,792,450	49,331,761	102,460,690
Total	-	947,916,560	540,236,695	407,679,865

12.2 PENDING STAFF PAYABLES (See Annex 3B)

The project did not have any payables relating to staff costs

12.3 OTHER PENDING PAYABLES (See Annex 3C)

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

12.4 External Assistance

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

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

13. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Other Matter 1.Low Absorption of Project Funds</p>	<p>The report on project information and overall performance indicates that the project commenced on 9th January, 2017 and was expected to run for a period of five years to end 31 December, 2021. However, the closing date has since been extended to 31 December, 2023. The project therefore has been in operation for about four (4) years and five (5) months which covers 74% of its extended seven (7) year duration expected to end in December, 2023.However, as at 30 June, 2021, the project had only absorbed Kshs. 3,975,889,181 out of the total loan amount of Kshs. 14,865,821,383.00 (UA 103,702,540 translating to about 26% of the total funding. In the year under review, the Project did not utilize Kshs. 513,100,829 or 27% of its approved annual budget. This under absorption indicates delay in implementation of the project activities as anticipated and thus it is unlikely that the project will meet its intended objectives.</p>	<p>The project experienced delays at the start due to:</p> <ul style="list-style-type: none"> • delayed tax exemptions, • Some projects were stopped due to court cases • And lack of adequate GoK counterpart for implementation of the Resettlement Action Plan <p>We however confirm that the project objectives will be met by December 2023</p>	<p>Eng. Joseph Kamau Chief Manager-Water and Sewerage</p>	<p>Resolved</p>	
<p>2. Budgetary and Performance</p>	<p>The statement of comparative budget and actual amounts reflects, final receipts budget and actual on comparative basis amount of Kshs. 1,925,000,000 and Kshs. 1516,964,855 respectively, resulting to underfunding of Kshs. 408,035,145 or 21% of the budget. Further, the Project's approved expenditure was Kshs.1, 925, 000,000 while the actual expenditure was Kshs. 1,411,899,171 resulting in under absorption of Kshs. 513,100,829 or 27% of the budget.</p>	<p>Budget absorption under the project is commensurate with the direct payments processed. The grant component wasn't able to disburse because the milestones were not attained while two</p>	<p>Michael Kimotho Chief Manager-Finance and Strategy</p>	<p>Resolved</p>	

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

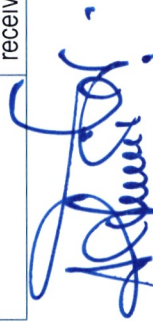
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The Management explained the under absorption as attributed to the fact that the consultant for the grant component did not attain the required milestone by the end of the financial year, and slow progress in the attainment of the planned milestones in Mwala, Changamwe and Machakos water contracts due to slow progress by contractors and land acquisition issues.</p> <p>The under expenditure of the approved budget indicates that some activities and projects in the annual work plan were not implemented thus affecting the achievement of the intended objectives and negatively affecting service delivery to the public.</p>	<p>contracts i.e. Mwala and Changamwe were under termination.</p> <p>Machakos water and sewerage contracts were slowed down court injunction relating to land acquisition issues. In subsequent years, the management will ensure full budget absorption</p>			
<p>Other information</p> <p>11. Failure to Maintain Separate Project Bank Account</p>	<p>Article 1. Section 1.2 (j) of the Subsidiary Loan Agreement between the Government of Kenya and Athi Water Works Development Agency requires the Programme to open a separate bank account for the purpose of receiving and accounting counterpart funds.</p> <p>However, as at the time of this audit in October, 2021, the Project had not opened the account but continued to receive the counterpart funds through the Agency's development bank account.</p>	<p>The National Treasury and Planning only gave authorization to open a development account to handle all projects which do not receive revenue from the donor. The management has fund accountability statements for each project whose GoK counterpart is managed through the development account</p>	<p>Michael Kimotho Chief Manager- Finance and Strategy</p>	Resolved	
21. Slow Implementation of Projects	An audit inspection of projects and review of contract agreements for works being implemented by Athi Water Works Development Agency, Tanathi Water Works	All the contracts under the project lost close to a year due to tax exemption delays, land issues among	Eng. Joseph Kamau Chief Manager-Water and Sewerage	Resolved	

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue and (Name designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Development Agency, and Coast Water Works Development Agency show slow progress in implementation of the projects and were behind schedule. Site visits to projects revealed slow progress of works compared with the agreed projects' duration. It was also noted that overall progress was 36% twenty six months to the end of the revised seven year contract period to end in December, 2023. Further, field verification of Gatundu Water Supply and Sewerage Project revealed progress was about 18% completion level, although the Project Management estimated the works to be 30% complete. Although the management attributed the delay in implementation of the projects to failure to obtain tax exemption, slow acquisition of land for project by National Land Commission, inadequate counterpart funding and court cases among other reasons, several works may not be completed within the contract period which may lead to cost overruns.	other challenges. We however confirm that most of the contracts except changamwe and Mwala are at advanced stages as detailed under the summary of project overall performance. We further confirm that there is no risk of cost overruns because all the time extensions for the contracts are done without cost to the employer			
31. Stalled Project- Changamwe Re-pooling Sewer Network	Contract for the works was awarded contract cost is Kshs. 204,483,295, commencement date was 30 October, 2018 and the expected completion date was 14 June, 2020, which was later extended to 14 January, 2021 and again revised to 14 January, 2022. As at 30June, 2021 the contractor had received Kshs. 72,816,261.A site visit to Changamwe repooling sewer network project revealed that the project had stalled due to an order issued on ongoing lawsuit by the contractor against Athi Water Works Development Agency for breach of contractual agreement. The order restrained	The contractor demobilised and AWWDA is unable to proceed with the contract until the lawsuit is concluded.	Joyce Mukururi Corporation Secretary and legal Manager	Not resolved	30 th June 2023

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the Agency from removing the contractor from the possession of the construction site and appointing another contractor to proceed with the construction work, pending the hearing and determination of the suit.</p> <p>Inspection carried out in October, 2021 revealed that the manholes constructed had been vandalized, while piping works were done coring about 3km out of the expected 15km. The overall work completed was only 15%. It is also not clear if the works would be completed due to the ongoing lawsuit.</p> <p>In the circumstances, the intended beneficiaries may not receive services from the project.</p>				



Chief Executive Officer



Project Coordinator

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

14. ANNEXES
ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
a	b	c=a-b	d=b/a %		
Receipts					
Transfer from Government entities	100,000,000	100,000,000	-	100%	Within Budget
Proceeds from domestic and foreign grants TAWWDA	21,000,000	-	21,000,000	0%	The consultant was yet to attain the required milestones by the end of the financial year
Proceeds from borrowings	1,775,000,000	1,370,515,653	404,484,347	77%	The loan receipts are direct payment in nature and the payment requests could not pass through the ministry because the greater Kenya Towns budget got exhausted by payments relating to other clusters while some pay of the payments had not been submitted by the National Treasury to AfDB for payment as at 30th June 2022
Miscellaneous receipts	-	-	-	0%	
Sub-Total Receipts for Athi cluster	1,896,000,000	1,470,515,653	425,484,347	78%	
Payments					
Purchase of goods and services	165,000,000	110,094,771	54,905,229	67%	The variance is attributable to the fact that the consultant for the grant component did not attain the required milestone by the end of the financial year
Acquisition of non-financial assets	1,731,000,000	1,321,903,840	409,096,160	76%	The absorption was commensurate to the payments which were cleared for payment at the Ministry level and also the timely submission to AfDB by the National Treasury and Planning
Total Payments	1,896,000,000	1,431,998,611	464,001,389	76%	
Surplus/Deficit	-	38,517,043			

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022*

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:		Kenya Towns Sustainable Water Supply and Sanitation Program	
Break down of Transfers from the Ministry of Water, Sanitation and Irrigation			
a.	Government Counterpart Funding		
	<u>Bank Statement Date</u>	Amount (Kshs)	<u>Indicate the FY to which the amounts relate</u>
	Various	100,000,000	2021/2022
	Total	100,000,000	
b.	Direct Payments		
	<u>Bank Statement Date</u>	Amount (Kshs)	<u>Indicate the FY to which the amounts relate</u>
	Various	1,511,455,446	2021/2022
	Total	1,511,455,446¹	
c.	Others		
	<u>Bank Statement Date</u>	Amount (Kshs)	<u>Indicate the FY to which the amounts relate</u>
	N/A	N/A	
	Total	0	
	TOTAL(a+b+c)	1,611,455,446	

¹ Payments totaling to Kshs. 140,939,792.85 were cleared through the Ministry but had not been submitted to AfDB for payment.

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

ANNEX 3A - ANALYSIS OF PENDING BILLS

Contracts	Balance b/f FY 2020/21	Additions for the period	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021/22	Comments
			b	c	d=a-c	
Construction of civil works						
Construction Works Makutano Water and Sewerage Project	-	166,454,618	23-Jul-20	110,836,836	55,617,782	Programme budget got exhausted
Construction works for Kitui and Matuu Towns Last mile connectivity		194,794,319	18-Sep-19	102,144,319	92,650,000	Programme budget got exhausted
Kiambu and Ruaka Water supply and Sewerage Project		250,963,202	30-Oct-18	178,132,052	72,831,150	Programme budget got exhausted
Construction of Pemba Intake and Treatment works Project		59,418,134	31-Oct-18	18,213,876	41,204,259	Programme budget got exhausted
Construction of Kikuyu Water and Sewerage Project		102,764,890	12-Sep-18	81,577,852	21,187,038	Programme budget got exhausted
Sub-Total	-	774,395,163		490,904,935	283,490,228	
Supply of goods						
Supply, Delivery, Installation, Configuration & Commissioning of an Intergrated Billing System for Limuru Water & Sewerage Company	-	10,000,000	16-Sep-21	-	10,000,000	Programme budget got exhausted
Supply and Delivery of Motor Vihecles in 3 Lots; Lot 1 - Supply and Delivery of 1 No. Double Cabin Pickup for Coast Water Works Development Agency		5,087,719	15-Oct-20		5,087,719	The year closed when the payment was still at the National Treasury
Supply and Delivery of Motor Vihecles in 3 Lots; Lot 2 - Supply and Delivery of 1 No. Heavy Duty Utility Passenger Vehicle for Water Services Regulatory Board		6,641,228	15-Oct-20		6,641,228	The year closed when the payment was still at the National Treasury
Sub-Total	-	21,728,947			21,728,947	
Supply of services						

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

Contracts	Balance b/f FY 2020/21	Additions for the period	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021/22	Comments
			b	c	d=a-c	
Consultancy Services for Design Review and Supervision of Pemba and Changamwe re-pooling Water supply and Sewerage Project	-	13,980,000	18-Jul-17		13,980,000	Programme budget got exhausted
Consultancy Services for design review and supervision of Makutano Water and Sewerage Project		14,823,000	16-Jul-20	8,490,250	6,332,750	Programme budget got exhausted
Consultancy Services for Design Review and Supervision of Kitui and Matuu Towns Last mile connectivity for Water Supply and Sanitation Works		8,733,015	10-Jun-19	3,944,915	4,788,100	Programme budget got exhausted
Consultancy Services for Design Review and Supervision of Kiambu and Ruaka Water Supply and Sewerage Works Project		28,451,588	22-Aug-17	14,225,794	14,225,794	Programme budget got exhausted
Consultancy Services for Project Communication and Documentary for Kenya Towns Programs		5,025,651	27-Oct-19		5,025,651	Payment got misplaced at NT
Consultancy Services for Development Management Plans for Selected Areas & capacity Building for Water Resources Authority		4,877,520	18-Mar-20		4,877,520	The year closed when the payment was still at the National Treasury
Consultancy Services for Consultancy Services for the Independent Panel of Experts (Principal Expert (Chair))		3,361,044	07-Oct-19		3,361,044	The year closed when the payment was still at the National Treasury
Consultancy Services for Consultancy Services for the Independent Panel of Experts (Hydrology and Hydraulic Expert)		1,071,058	07-Oct-19		1,071,058	The year closed when the payment was still at the National Treasury
Consultancy Services for Consultancy Services for the Independent Panel of Experts (Environmental and Ecological		447,372	07-Oct-19		447,372	The year closed when the payment was still at the National Treasury

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

Contracts	Balance b/f FY 2020/21	Additions for the period	Date Contracted	Amount Paid To-Date	Outstanding Balance 2021/22	Comments
			b	c	d=a-c	
Expert)						
Consultancy Services for Design Review and Construction Supervision of Design and Build of Machakos Water and Sanitation Project		71,022,201	07-Feb-18	22,670,801	48,351,400	The year closed when the payment was still at the National Treasury
Sub-Total	-	151,792,450		49,331,761	102,460,690	
Grand Total	-	947,916,560		540,236,695	407,679,865	

Kenya Towns Sustainable Water Supply and Sanitation Program
Reports and Financial Statements
For the financial year ended June 30, 2022

ANNEX 3B - ANALYSIS OF PENDING STAFF BILLS

The project did not have any pending staff bills because the project team comprises AWWDA staff and all their costs are paid by the institution.

ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES

The project did not have any other pending payables.

Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022

ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

Asset class	Opening Cost (Kshs) 2021/2022 (a)	³ Purchases/Additions in the Year (Kshs) 2021/2122 (b)	^{**} Disposals in the Year (Kshs) 2021/2122 (c)	Transfers in/(out) Kshs 2021/2122 (d)	Closing Cost (Kshs) 2021/2122 (e)= (a)+ (b)-(c)+(-)d
AWWDA					
Office equipment	15,821,483	-	-	-	15,821,483
Plant and Machinery		82,973,942	-	-	82,973,942
Work in Progress	1,866,145,632	613,383,877	-	-	2,479,529,509
Total	1,881,967,115	696,357,818	-	-	2,578,324,933
TAWWDA	-				-
Work In Progress	1,019,571,339	510,329,209	-	-	1,529,900,548
Sub-total TAWWDA	1,019,571,339	510,329,209	-	-	1,529,900,548
CWWDA	-				-
Motor Vehicles		-	-	-	-
Work in Progress	314,259,275	100,403,387	-	-	414,662,662
sub-total CWWDA	314,259,275	100,403,387	-	-	414,662,662
WASREB					
Motor Vehicles		-	-	-	-
Subtotal WASREB	-	-	-	-	-
WRA					
Office Equipment		1,530,970			1,530,970
Motor Vehicles		13,282,456			13,282,456
Subtotal WRA	-	14,813,426			14,813,426
Grand Total Athi Cluster	3,215,797,729	1,321,903,840	-	-	4,537,701,569

*Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022*

ANNEX 5 – CONTINGENT LIABILITIES REGISTER

	Nature of contingent liability	Payable to	Estimated Amount Kshs	Expected date of payment	Remarks
1	N/A	N/A	N/A	N/A	N/A
2					

**Kenya Towns Sustainable Water Supply and Sanitation Program
Annual Report and Financial Statements for the financial year ended June 30, 2022**

Annex: 6 Reporting of Climate Relevant Expenditures

Name of the Organization: **Athi Water Works Development Agency**
 Telephone Number: **020-2724292/3**
 Email Address: **info@awwda.go.ke**
 Name of CEO: **Eng. Michael M. Thuita, MBS**

Name and contact details of contact person (in case of any clarifications): **Eng. Joseph Kamau**

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	
Catchment Protection	Tree Planting at Kamiti River Catchment	to conserve and ensure sustainability of the Kamiti River Catchment with an area of 189 Square/km	<ul style="list-style-type: none"> 1000 No. Tree seedlings planted 			285,000		<ul style="list-style-type: none"> Athi Water Works Development Agency, Cooperative Bank of Kenya, Kiambu County Government, Kiambu Water and Sewerage Company, Kamiti Water Resource Users Association and local communities.
	Tree Planting at Ndakaini dam	Catchment Protection	undertook tree planting exercise where 5,000 seedlings were planted at Ndakaini dam catchment area			403,000		<ul style="list-style-type: none"> AWWDA Gatanga Women Empowerment Group

Annex 7: Disaster Expenditure Reporting

The project did not incur any disaster related expenditure