

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability



REPORT

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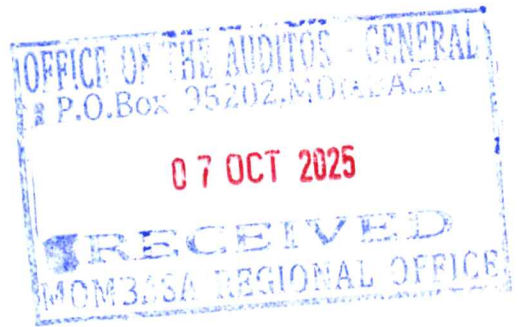
ON

IMPROVEMENT OF DRINKING WATER AND
SANITATION SYSTEMS IN MOMBASA:
MWACHE PROJECT (CKE 1103)

FOR THE YEAR ENDED
30 JUNE, 2025

COAST WATER WORKS DEVELOPMENT
AGENCY





**PROJECT NAME: IMPROVEMENT OF DRINKING WATER AND SANITATION
SYSTEMS IN MOMBASA: MWACHE PROJECT**

**IMPLEMENTING ENTITY: COAST WATER WORKS DEVELOPMENT AGENCY
(CWWDA)**

PROJECT GRANT/CREDIT NUMBER: CKE 1103

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting
Method under the International Public Sector Accounting Standards (IPSAS)**

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*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Table Contents	Page
1. Acronyms and Definition of Terms	ii
2. Project Information and Overall Performance	iii
3. Statement of Performance against Project's Predetermined Objectives	xii
4. Environmental and Sustainability Reporting	xiii
5. Statement of Project Management Responsibilities	xvi
6. Report of the Independent Auditor on Financial Statements for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project	xviii
7. Statement of Financial Performance for the Year Ended 30th June 2025.	1
8. Statement of Financial Position as at 30 th June 2025	2
9. Statement of Changes in Net Assets	3
10. Statement of Cashflow for the year ended 30 th June 2025	4
11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2025	5
12. Notes to the Financial Statements	7
13. Annexes	31



1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
AFD	Agence Francaise De' developpement
CWWDA	Coast Water Works Development Agency
Comparative FY	Financial year preceding the current financial year.



2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is '*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project CKE 1103.*'

Objective

The key objective of the project is to improve living conditions for the populations of Mombasa Region by developing access to drinking water and sanitation.

The project specific's objectives are to:

- a) Increase the volumes of drinking water produced in order to eliminate the water shortage in the City of Mombasa.
- b) Reinforce and extend the drinking water distribution network and collective sanitation system in Mombasa.
- c) Build the capacities of the operator in order to gear up for commissioning of the new system and improve the technical and administrative management of the service.

Address

The project registered office is the headquarters of CWWDA in Mombasa County, Kenya and as follows:

Coast Water Works Development Agency
Mikindani Street, Off Nkrumah Road,
P.O. Box 90417-80100
Mombasa.
Telephone: (254) 041 2315230
E-mail: info@cwvda.go.ke
Website: www.cwvda.go.ke



Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date was 21st June 2018
Project Initial End Date:	The project initial end date was 1st March 2024
Project End Date:	The Revised end date is 1st March 2029
Project Coordinator:	The project manager is Eng. David Kanui
Project Development Partner:	The project sponsor is Agence Francaise De Developement

2.3 Project Overview

Line Ministry and State/ County Department	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation
Project number	CKE 1103
Strategic goals of the project	The strategic goals of the project are as follows: (i) To improve living conditions for the Population of Mombasa region by developing access to drinking water and sanitation.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Increase the volumes of drinking water produced in order to eliminate shortages in the city of Mombasa (ii) Reinforce and extend drinking water distribution network and collective sanitation system in Mombasa (iii) Build the capacities of the operator in order to gear up for the commissioning of the new system and improve the technical and administrative management of the service.
Other important background information of the project	None



<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>(i) Component 1</p> <p>Upstream investments which involves treatment, transfer and storage. i.e The construction of the raw water pumping station downstream from the Dam, a pumping main and water treatment plant with a capacity of 186,000m³ per day and a treated water reservoir.</p> <p>Another major infrastructure under this component is the transfer component, that is drinking water produced from Mwache plant will be transferred by gravity by at least three pipelines to the main distribution areas:</p> <ul style="list-style-type: none"> -Approximately 70,000m³ a day to the south districts and, in particular, Likoni (Dongo Kundu reservoir); -Approximately 80,000m³ a day to the west and centre districts (Changamwe reservoir); -Approximately 35,000m³ a day to the north districts (Nguu Tatu reservoir). <p>(ii) Component 2</p> <p>Downstream investments which involves distribution and sanitation with focus mainly on South Mainland that is:</p> <ul style="list-style-type: none"> -Increasing the hydraulic capacity of certain pipelines in order to distribute additional volumes from Mwache; -Rehabilitating old networks -Extending the network to new districts and increase the number of connections; -Facilitate leak prevention by implementing an efficient division into sectors. -Setting up emergency measures to improve perennial water shortages in Likoni e.g. setting up small desalination units, rehabilitate Tiwi boreholes or other measures to bring in additional water to Likoni.
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***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

	<p>(iii) Component 3</p> <p>Capacity Building for the Water Service Provider which will target the drinking water distribution and sanitation network for Mombasa County (MOWASCO or its legally appointed successor). i.e. with the help of Long Term Technical Assistance who will assist to increase efficiency of the utility especially concerning reduction of Non-Revenue water. e.g. rehabilitation and implementation of stand pipes, installations of prepayment meters, hygiene awareness raising action, leak detection equipment etc</p>
Project duration	The project started on 21st June 2018 and was extended to end on the 1 st March 2029.



Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Kenya Commercial Bank-Project Account No. 124-021-9660

2.5 Independent Auditor

The project is audited by the Office of the Auditor General, Anniversary Towers, Monrovia Street, P.o.Box 30084-00100 Nairobi.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1	Mr. Hamoud Mguza	Chief Executive Officer	Masters of Arts & Bachelors of Arts	Accounting Officer
2	Eng. David Kanui	Deputy Director Planning & Design	BSc. Civil Engineering	Project Coordinator
3	CPA Stephen Kivuva	Deputy Director Finance	BBA, CPA(K)	Finance Manager
4	Mr. Stanslus Jira	Procurement Manager	MSc. Procurement & Logistics, BPSM, DSM	Procurement Manager
5	CPA Shee Kibibi	Principal Accountant	Bcom, CPA(K)	Project Accountant

2.7 Funding summary

The Project was initially for a duration of six years from 2018 to 2024, but due to delays in implementation especially on the major works (Dam), it was extended to end on March 2029 with an approved budget of EUR 120 million equivalents to Kshs 14.025 billion as highlighted in the table below:



Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received (30 th June 2025)		Undrawn balance	
					(30 th June 2025)	
	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A-B)	(A'-B')
(i) Grant						
AFD	100,599	11,620,068	100,599	11,620,068	-	-
(ii) Loan						
AFD	120,000,000	14,025,996,000	5,660,033	813,624,432	114,339,967	13,212,371,568
(iii) Counterpart funds						
Government of Kenya	13,000,000	1,519,482,900	1,776,883	265,343,148	11,223,117	1,254,139,752
Total	133,100,599	15,557,098,968	7,537,515	1,090,587,648	125,563,084	14,466,511,320

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cummulative Amount paid to date- (30th June 2025)		Unutilised balance to date (30th June 2025)	
	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
AFD	100,599	11,620,068	100,599	11,620,068	-	-
(ii) Loan						
AFD	5,660,033	813,624,432	5,660,033	813,624,432	-	0
(iii) Counterpart funds						
Government of Kenya	1,776,883	265,343,148	1,607,362	239,496,914	169,521	25,846,234
Total	7,537,515	1,090,587,648	7,367,993	1,064,741,414	169,521	25,846,234



Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

In the financial year 2024/2025, the project had a donor allocation of 400million. The actual disbursement as at 30th June 2025 was 22.3 million. This represents utilisation of 6% for the year. The following was done during the financial year:

1. Evaluation for the Design, Build and Operate of Mwache Water Treatment Plant was completed and forwarded to AFD for review and No objection.
2. Evaluation for the construction three transmissions mains was completed and forwarded to AFD for review and No objection.
3. Ongoing Construction of Tiwi Emergency Works at Progress of 92% as at 30th June 2025.

The absorption rate for each year since the project inception is as indicated below:

YEAR	BUDGET ALLOCATION	ACTUAL DISBURSEMENT	ABSOPRTION RATE
2024/2025	400,000,000	22,369,668	6%
2023/2024	1,920,000,000	390,401,341	20%
2022/2023	710,096,864	31,445,674	4%
2021/2022	1,460,000,000	351,513,176	24%
2020/2021	291,000,000	17,894,572	6%
2019/2020	70,000,000	-	0%

The project didn't absorb funds as expected due to the following challenges:

- i) Delays in revenue funds disbursements which hindered payments on time to consultants.
- ii) Delays in getting approval for Tax exemptions especially on the Tiwi Emergency Works Contract.
- iii) Delays in getting Counterpart Funding to process taxes.
- iv) Long Procedures of processing Direct Payments.
- v) Delays in Fulfilment of all Conditions Precedent to the Credit Facility Agreement (CFA)

The following are the lessons learnt and recommended way forward:

- i) Regular follow up with our line ministry on issues of budgeting, disbursements and reconciliations of project funds.
- ii) Improved capacity building of staff by attending short management courses which has greatly improved contract management.
- iii) Regular site visits and management meetings to review project progress has been introduced and is bearing fruits.
- iv) Regular follow up with our line ministry and Treasury on issues of Tax exemptions.
- v) Regular follow up with our line ministry and Treasury on issues of fulfilment of conditions present of the CFA.
- vi) Regular follow up with AFD for timely issuance of No Objection Letters (NOLs).

2.9 *Summary of Project Compliance:*

There are no legal issues so far that have been raised and all procurements and implementations are carried out as per the required Procurement Regulations ensuring compliance with applicable laws and regulations, and essential external financing agreements/covenants.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The key development objectives of the *project's agreement/* plan are to are to improve living conditions for the population of Mombasa region by developing access to drinking water and sanitation through:

- a) Increasing volumes of drinking water produced in order to eliminate water shortages in Mombasa
- b) Reinforce and extend water distribution networks and collective sanitation systems in Mombasa.
- c) Build the capacity of the operator in order to gear up for commissioning of the new system and improve the technical and administrative management of the service.

Progress on the attainment of strategic development objectives

To implement and cascade 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 to track progress and performance measurement.

Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project Annual Report and Financial Statements for the financial year ended June 30, 2025

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
AFD- Improvement of Drinking water and Sanitation systems in Mombasa: Mwache Project.	To improve living conditions for the population of Mombasa region by developing access to drinking water and sanitation	- 186,000m ³ /day Mwache water treatment plant designed and constructed - 80km of water transmission pipelines and 3No. tanks of capacity 14,000m ³ each designed and constructed - Approx 100km of primary water distribution pipelines designed and constructed	-600,000 people with access to safe drinking water by 2029 - Water service provision increased from current 6hr to 24hr per day by 2025 in Mombasa City - Reduction of NRW from 50% to 40% by 2029	- Evaluation for the Design, Build and Operate of Mwache Water Treatment Plant was completed and forwarded to AFD for review and No objection - Evaluation for the construction three transmissions mains was completed and forwarded to AFD for review and No objection. - Ongoing Construction of Tiwi Emergency Works at Progress of 92% as at 30th June 2025

4. Environmental and Sustainability Reporting

Coast Water Works Development Agency exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

The Mandate of the Coast Water Works Development Agency (CWWDA) is to develop and maintain sustainable water and sanitation infrastructure within its area of jurisdiction. It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high

and sustainable socio- economic development. It is our undertaking to ensure that Coast Water Works Development Agency has a credible strategic plan that will deliver the desired goals. This is faced with several challenges including rapid population growth especially in urban areas, increasing economic activities, adverse climatic changes, Covid 19 Pandemic and limited resources.

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the Coast Water Works Development Agency. We will also pay special attention to implementation of Post COVID-19 Recovery Strategies and Plans.

2. Environmental performance

The organization recognizes the significance of Environmental and Social Management in Projects implementation. This is intended to be achieved by the adherence to the Environmental and Social Commitment Plans (ESCP) uniquely designed for each project. The ESCP outlines the measures and specific actions to be taken by each Contractor during the implementation of projects. The implementation of these measures and actions are periodically monitored by CWWDA Environmental Unit and reported accordingly.

CWWDA continually work together with partners such as County governments, Community members, Water Resource Authority, National Environmental Management Authority, Water Resource Users Associations, administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects

3. Employee welfare

Coast Water Works Development Agency takes every effort to ensure that employees' well-being is considered as this affects them both at home and at work. CWWDA has an approved Human Resource and Procedure Manual that was passed through the Board and it ensures that it is strictly adhered to i.e. The Agency endeavours to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons, the policies and work plans for HIV/AIDs, Persons with Disability and Gender have been developed and are being implemented etc.

The organisation is committed to the observance of the requirements that provide for the safety, health and welfare of workers and any persons present at the workplace. These requirements as outlined in the Occupational Safety and Health Act of 2007, (OSHA) are



assimilated in the Environmental and Social Management Plans for the projects. These requirements set out the obligations of both the employer and employees rights in cases of accidents, medical aid and occupational diseases. The execution of these requirements is strictly monitored and reported regularly.

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

Coast Water Works Development Agency always publishes its tenders through the local dailies of nationwide circulation, our website and the Government of Kenya National Treasury Portal. In addition, all International Procurement Competition (IPC) tenders are also published in the Dg Market portal. This enables all prospective bidders to freely access the information and to participate in the procurement process. 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.

b) Responsible ethical practices

All engagements between CWWDA 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.

c) Regulatory impact assessment

Coast Water Works Development Agency encourages public participation and also clearance by relevant Government agencies to ensure consumer rights and interests are not infringed.

5. Community Engagements

Coast Water Works Development Agency engages in community development that is taking active role in National Tree Planting Campaigns, paying for the best student school fees of Lango Baya Primary School at our Baricho Station Area.

5. Statement of Project Management Responsibilities

The *Chief Executive Officer* Coast Water Works Development Agency (CWWDA) and the *Project Coordinator* 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 the financial year ended on June 30, 2025.

This responsibility includes (i) Maintaining adequate financial management arrangements 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 Coast Water Works Development Agency (CWWDA) and the *Project Coordinator* accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

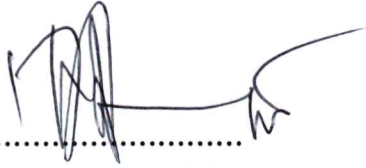
The Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the *Project Coordinator* are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the *Project Coordinator* 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 and the adequacy of the systems of internal financial control.

Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the *Project Coordinator* 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.

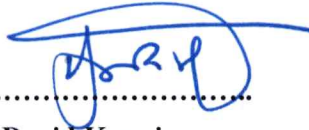


Approval of the Project Financial Statements

The Project financial statements were approved by the Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the *Project Coordinator* on 7/11/2025 and signed by:



.....
Mr. Hamoud M. Mguza
Chief Executive Officer



.....
Eng. David Kanui
Project Coordinator



.....

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON IMPROVEMENT OF DRINKING WATER AND SANITATION SYSTEMS IN MOMBASA: MWACHE PROJECT (CKE 1103) FOR THE YEAR ENDED 30 JUNE, 2025 – COAST WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project (CKE1103) set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained

all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project (CKE1103) as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Financing Agreement dated 21 June, 2018 between Agence Francaise De Development and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project (CKE1103) Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on a comparable basis of Kshs.422,300,000 and Kshs.192,354,916 respectively resulting to an underfunding of Kshs.229,945,084 or 54% of the budget. Similarly, the project incurred expenditure of Kshs.166,508,682 against actual receipts of Kshs.192,354,916, resulting to an underutilization of Kshs.25,846,234 or 13 % of the receipts.

The underfunding and underutilization affected the planned project activities and programmes, which may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management

has indicated the status of the issues as resolved, no evidence was provided to support that position.

Other Information

Management is responsible for the Other Information set out on page iii to xvii which comprise of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting and the Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Delay in Completion of Emergency Works for Increasing Water Availability in Likoni

The statement of financial position and as disclosed in Note 21 to the financial statements reflects Property, Plant and Equipment balance of Kshs. 64,193,918 out of which Kshs.52,860,416 paid for construction of water works – emergency works for increasing water availability in Likoni, under Contract No. CWSBA/AFD/W1/2019. The contract was awarded to a local company at a contract sum of Kshs.319,751,129 on 18 August 2021, with works commencing on the same date for a period of eighteen (18) months, ending on 9 February, 2023. An extension was granted for a period of twelve (12) months, ending on 2 January 2024 and further to 19 August 2024. Cumulative payments as at 30 June 2025 amounted to Kshs.254,940,450 equivalent to 80% of the contract sum. However, field verification carried out on 4 September, 2025 revealed that the project at 91% completion level and works were still ongoing and without a valid contract in place.

Further, verification of eleven (11) sampled boreholes revealed that five (5) were not actively supplying water to the users due to lack of power transformers. Management indicated that they had opted to separately procure transformers from KPLC and solar systems from specialized suppliers to ensure that all the remaining works are completed by 15 December, 2025.

In the circumstances, value for money has not been realized on the incomplete works project and the five boreholes without power connection.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Agence Francaise De Development, I report based on my audit that 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:

- i. Information given in the Management report on pages iv to xvi is consistent with the financial statements;
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Agence Francaise De Development, requires that, I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and

regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial

transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

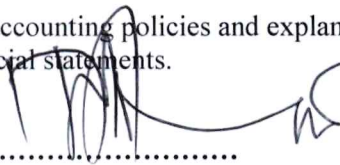
16 October, 2025

**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

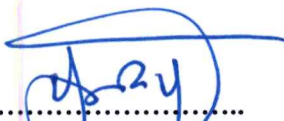
7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	FY 2024-2025
		Kshs
Revenue		
Revenue Transfers	6	39,036,336
Miscellaneous Revenue	7	-
Total revenue		39,036,336
Expenses		
Employee costs	8	-
Use of goods and services	9	171,675,847
Depreciation and amortization expense	10	-
Transfer to other Government Entities	11	-
Other Transfers/Subsidies/Grants	12	-
Certified Works	13	-
Total expenses		171,675,847
Other gains/(losses)		
Gain/Loss on sale of assets	14	-
Gain/Loss on foreign exchange transactions	15	-
Impairment loss	16	-
Surplus/ (Deficit)		(132,639,511)

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


.....

Mr. Hamoud M. Mguza
Chief Executive Officer


.....

Eng. David Kanui
Project Coordinator

EBK No:A3232


.....

CPA Shee Kibibi
Project Accountant

ICPAK Member No:21329

(Paragraph 79 of IPSAS 33 allows for the election by an entity to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position, and an opening statement of financial position at the time of adoption of the accrual basis of accounting. In preparing this financial reporting template, this election has been made; therefore, there are no comparatives in the first year of transition.)



**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

8. Statement of Financial Position as at 30th June 2025

	Note	Insert Current FY	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	17	25,846,234	153,318,580
Receivables	18		
Inventories	19	-	-
Prepayment	20	-	-
Total Current Assets		25,846,234	153,318,580
Non-Current Assets			
Property, Plant and Equipment	21	64,193,918	
Intangible Assets	22	-	-
Total Non- Current Assets		64,193,918	-
Total Assets (a)		90,040,152	153,318,580
Liabilities			
Current Liabilities			
Trade and Other Payables	23	69,361,084	-
Third Party Deposits	24	-	-
Deferred Income	25	-	-
Total Current Liabilities		69,361,084	-
Total Liabilities (b)		69,361,084	-
Net Assets (a-b)		20,679,069	153,318,580
Represented By:			
Accumulated Surplus		20,679,069	153,318,580
Total Net Assets		20,679,069	153,318,580

The financial statements were approved on 7/10 2025 and signed by:

.....
Mr. Hamoud M. Mguza
Chief Executive Officer

.....
Eng. David Kanui
Project Coordinator
EBK No:A3232

.....
CPA Shee Kibibi
Project Accountant
ICPAK Member No:21329


**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**


9. Statement of Changes in Net Assets

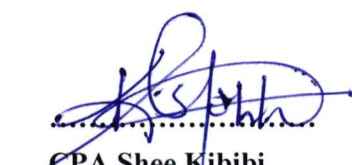
Description	Accumulated Surplus
	Kshs
As at 30 th June 2024 (Cash Basis)	153,318,580
Adjustments: (to recognize assets and liabilities)	-
As at 1 st July 2024	153,318,580
Surplus/(Deficit) for the year	(132,639,511)
As at 30 th June 2025	20,679,069

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

The financial statements were approved on 7/10/2025 and signed by:


.....
Mr. Hamoud M. Mguza
Chief Executive Officer


.....
Eng. David Kanui
Project Coordinator
EBK No:A3232


.....
CPA Shee Kibibi
Project Accountant
ICPAK Member No:21329



10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	Insert Current FY Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		39,036,336
Miscellaneous Revenue		-
Total receipts		39,036,336
Payments		
Employee costs		-
Use of goods and services		113,648,265
Transfer to other Government Entities		-
Other Transfers/Subsidies/Grants		-
Total payments		113,648,265
Net cash flow from operating activities	26	(74,611,929)
Cashflow from investing activities		
Acquisition of non-financial assets		(52,860,416)
Proceeds from sale of Assets		-
Acquisition of Intangible assets		-
Net cash flows from investing activities		(52,860,416)
Cash flow from financing activities		
Proceeds from foreign borrowings		-
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		(127,472,346)
Cash and cash equivalent at 1st July 2024	17	153,318,580
Cash and cash equivalent at end June 2025	17	25,846,234



*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

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 %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	0	0	0	153,318,580		
Receipts						
Revenue Transfers	4,070,000,000	(3,647,700,000)	422,300,000	39,036,336	383,263,664	9%
Miscellaneous Revenue	-	-	-	-	-	
Total Revenue	4,070,000,000	(3,647,700,000)	422,300,000	192,354,916	229,945,084	46%
	-	-	-	-	-	-
Payments	-	-	-	-	-	-
Employee costs	-	-	-	-	-	-
Use of goods and services	2,779,810,000	(2,491,379,100)	288,430,900	113,648,265	174,782,635	39%
Depreciation and amortization expense	-	-	-	-	-	-
Transfer to other Government Entities	-	-	-	-	-	-
Other Transfers/Subsidies/Grants	-	-	-	-	-	-
Certified Works	1,290,190,000	(1,156,320,900)	133,869,100	52,860,416	81,008,684	39%
Total Payments	4,070,000,000	(3,647,700,000)	422,300,000	166,508,682	255,791,318	39%
Surplus or Deficit	-	-	-	25,846,234	-	



***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

Budget notes

The underutilization of budget was attributed to delays in funds disbursements, delays in submission of Interim Payment Certificates (IPCs) by contractors /consultants due to underlying facts in delays in addressing some contractual issues such as clearance on tax exemptions by the National Treasury and also slow processing of direct payment.

The changes between the original and final budget was due to budget cuts as advised from time to time.

Budget Reconciliation Statement

	Description of Particulars	Amount in K.shs
	Actual Surplus Amounts as per the statement of Budget	25,846,234
1	Reason for differences	-
2	Reason for differences	-
3	Reason for differences	-
4	Reason for differences	-
	Closing Cash and Cash Equivalent as per the statement of Cash flows	25,846,234

12. Notes to the Financial Statements

1. General Information

Coast Water Works Development Agency is established by and derives its authority and accountability from the Water Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to develop and maintain sustainable water and sanitation infrastructure within its area of jurisdiction.

2. Statement of Compliance and Basis of Preparation

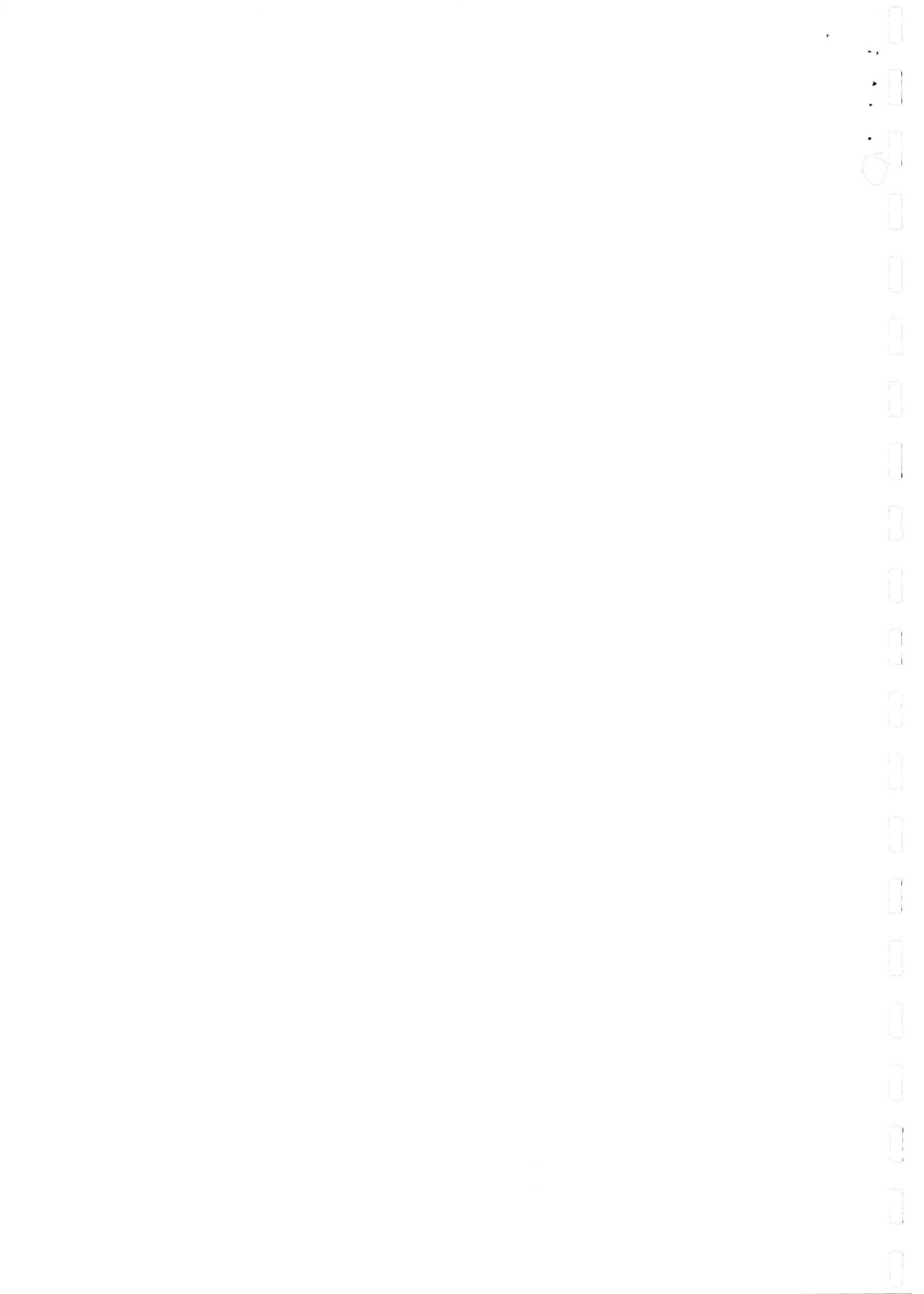
The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 29.8.2025

3. Adoption of New and Revised Standards

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>



**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Standard	Effective date and impact:
<p>IPSAS 45- Property Plant and Equipment</p>	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>



**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the National Assembly on June 2024.. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section *Statement of Comparative budget and actuals* of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the financial statements

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

e) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements

g) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.



Notes to the financial statements

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 16*.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.



Notes to the financial statements

Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

i) Provisions

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

j) Nature and purpose of reserves

The *Entity* creates and maintains reserves in terms of specific requirements.

k) Changes in accounting policies and estimates

The *Entity* recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the financial statements

l) Employee benefits

Retirement benefit plans

The *Entity* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) Related parties

The *Entity* regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

Notes to the financial statements

p) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Cash and cash equivalents

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the *Entity*.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the financial statements

6. Revenue Transfers

Description	FY 2024-2025
	KShs
Unconditional Transfers	
GoK Counter Part funding	16,666,668
Transfers from Development partners	-
Total Unconditional Transfers (a)	16,666,668
Conditional Transfers	
Transfers from Development partners 1	22,369,668
Total Conditional Transfers (b)	22,369,668
Total Transfers for the Year (a + b)	39,036,336

During the year under review, the project received GOK counterpart as shown above, these funds caters for Operations Expenses, Taxes and Land Compensations.

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers FY 2024-2025
	Kshs	Kshs	Kshs	Kshs
GOK Funding	16,666,668	-	-	16,666,668
AFD	22,369,668	-	-	22,369,668
Subtotal	39,036,336	-	-	39,036,336
Deferred Income realized	-	-	-	-
Transfers in Kind	-	-	-	-
Total	39,036,336	-	-	39,036,336

**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the financial statements

7. Miscellaneous revenue

There were no miscellaneous receipts received by the project during the year under review

8. Employees Costs

There was no expenditure on compensation of employees because all project staff are CWWDA employees.

9. Use of Goods and Services

Description	FY 2024/25
	Kshs
Utilities, supplies and services	-
Bank charges	26,960
Communication, supplies and services	-
Domestic travel and subsistence	3,796,732
Foreign travel and subsistence	-
Fuel and lubricants	-
General office supplies	-
Stationery, Printing, advertising, and information supplies	-
Office rent	-
Training payments	-
Hospitality supplies and services	150,000
Insurance costs	-
Specialized materials and services	164,263,848
Other operating payments(specify)	3,438,307
Routine maintenance – vehicles and other transport equipment	-
Routine maintenance- other assets	-
Total	171,675,847



Notes to the financial statements

10. Depreciation and Amortization expense

Description	FY 2024-2025
	Kshs
Property, Plant and Equipment	-
Intangible Assets	-
Total	-

11. Transfer to Other Government Entities

During the 12 months to 30 June 2025, there were no transfer of funds to other reporting government entities

12. Other Transfers/Subsidies/Grants

There were no other transfers nor subsidies during the year under review.

13. Certified Works

Description	FY 2024-2025
	Kshs
Road Works	-
Water Works	-
Energy Infrastructure	-
<i>Others Specify</i>	-
Total	-



Notes to the financial statements

14. Gain/Loss on Sale of Assets

There were no sale of Assets during the reporting period and hence no gains nor losses.

15. Gain/Loss on foreign exchange transactions

N/A

16. Impairment Loss

There were no impairment loss during the financial year under review.

17. Cash and Cash Equivalents

Description	2024-2025	1 st July 2024
	Kshs	Kshs
Cash in Bank	25,846,234	153,318,580
Cash on hand	-	-
<i>Others (Specify)</i>	-	-
Total Cash and Cash Equivalents	25,846,234	153,318,580

2

Notes to the financial statements

17. (a) Project Bank Accounts

Details	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Local Currency Accounts		-
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No. 124-021-9660]	25,846,234	153,318,580
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total local currency balances	25,846,234	153,318,580
Total Bank Account balances	<u>25,846,234</u>	<u>153,318,580</u>

The Project has one (1) project account spread within the project implementation area and one (1) of foreign currency Designated Accounts (DA) in the Central bank of Kenya (CBK) managed by the National Treasury as stated above.



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Notes to the Financial Statements (Continued)

18. Receivables

Description	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Counter Part Funding	-	-
Contractor's Advance payments	-	-
<i>Other Receivables (specify)</i>	-	-
Total Receivables	-	-

Ageing analysis for Receivables

Description	FY 2024-2025		1 st July 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	-	%	-	%
Between 1- 2 years	-	%	-	%
Between 2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (a+b)	-	%	-	%

19. Inventories

Description	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Consumable stores	-	-
Construction stores	-	-
<i>Others consumables (specify)</i>	-	-
Less: allowance for impairment	(-)	(-)
Total inventories	-	-

There were no inventories during the year under review.

20. Prepayments

Description	FY 2024-2025	1 st July 2024
	Kshs	Kshs
Insurance	-	-
Rent	-	-
<i>Others specify</i>	-	-
Total inventories	-	-



*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements

21. Property, Plant and Equipment

Cost	Motor vehicles	Furniture and fittings	ICT Equipment	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Depreciation rate	12.50%	12.50%	30%	12.50%		
As At 1 July 2024 (opening balances)	-	-	-	-	-	-
Additions	-	-	-	-	64,193,918	-
Disposals	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	-	-
Depreciation And Impairment						
As at 1 July 2024	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Transfers/ Adjustments	-	-	-	-	-	-
As At 30th June 2025	-	-	-	-	-	-
Net Book Values						
As at 1st July 2024	-	-	-	-	-	-
As at 30th June 2025	-	-	-	-	64,193,918	-



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**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the financial statements

22. Intangible Assets

Description	1 st July 2024
	Kshs
Cost	
As at 1 st July 2024	-
Additions	-
As At 30 th June 2025	-
Amortization and impairment	
As at 1 st July 2024	-
Amortization	-
Impairment loss	-
As At 30 th June 2025	-
NBV as at 1 st July 2024	-
NBV as at 30 th June 2025	-

23. Trade and Other Payables

Description	FY 2024 -2025		1 st July 2024	
	Kshs		Kshs	
Trade payables	69,361,084		-	
Employee payables	-		-	
Other payables (specify)	-		-	
Total trade and other payables	69,361,084		-	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	69,361,084	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	69,361,084		-	

**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the financial statements

24. Third-Party Deposits

Description	FY 2024-2025		1 st July 2024	
	Kshs		Kshs	
Contractor's Retention	-		-	
Gratuity	-		-	
Other deposits (specify)	-		-	
Total deposits	-		-	
Ageing analysis: (Refundable deposits)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total	-		-	

25. Deferred Income

Description	FY 2024-2025		1 st July 2024	
	Kshs		Kshs	
Development partner 1	-		-	
Development partner 2	-		-	
Others specify	-		-	
Total Deferred Income	-		-	

There were no deferred income during the year under review

Deferred Income Movement Schedule

	Development Partner 1	Development Partner 2	Others specify	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 st July 2024	-	-	-	-
Additions	-	-	-	-
Transfers To Performance Statement as Revenue	-	-	-	-
Balance as at 30 th June 2025	-	-	-	-

*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Notes to the financial statements

26. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	(132,639,511)
Adjusted for:	
Depreciation	-
Non-cash grants received	-
Impairment	-
Gains and losses on disposal of assets	-
Working capital adjustments	
Increase in inventory	-
Increase in receivables	-
Increase in deferred income	-
Increase in payables	58,027,582
Increase in payments received in advance	-
Net cash flow from operating activities	(74,611,929)

(The total of this statement should tie to the cash flow section on net cash flows from/ used in operations)

27. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

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



***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

Notes to the financial statements

Special Deposit Accounts Movement Schedule

Description	Insert Current FY	1 st July 2024
	Kshs	Kshs
(i) AFD LOAN No.CKE1103 01C (1000395915)		
Opening balance	-	-
Total amount deposited in the account	557,536,827	-
Total amount withdrawn	-	-
Closing balance (as per SDA bank account reconciliation attached)	557,536,827	-

(The Special Deposit Account(s) reconciliation statement(s) has (have) been attached as Appendix xx support these closing balance.

28.Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

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



**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Notes to the financial statements

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

Description	FY 2024 -2025
	Kshs
Transactions with related parties	
a) Sales to related parties	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
Total	-
B) purchases from related parties	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-
Rent expenses paid to govt agencies	-
Others (specify)	-
Total	-
b) Grants /transfers from the government	
Grants from national govt	16,666,668
Grants from county government	-
Donations in kind	-
Total	-
c) Expenses incurred on behalf of related party	
Payments of salaries and wages for xxx employees	-
Payments for goods and services for xxx	-
Total	
d) Key management compensation	
Directors' emoluments	-
Compensation to key management	-
Total	16,666,668

***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

Notes to the financial statements

29.Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

30.Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Water, Sanitation & Irrigation. Its ultimate parent is the Government of Kenya.

31.Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

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***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

13. Annexes

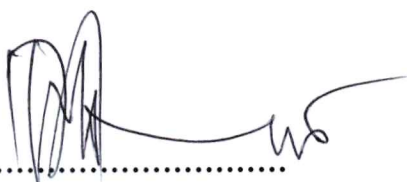
Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
			<i>(Resolved / Not Resolved)</i>	<i>(Put a date when you expect the issue to be resolved)</i>
1	Slow Implementation of the Project	The project had initial delays due signing of the subsidiary Agreements, fulfilment of Condition Precedents among them is the delays in Mwache Dam Construction. All these have been resolved,the Dam is at 52% while procurement process are ongoing for both WTP and Transmission Mains contract.	Project Ongoing	FY 2024
2	Delays in Project Completion-Tiwi Works for Increasing Water availability in Likoni	The slow implementation of the emergency works for increasing water availability in Likoni has been attributed to several factors among them the Delays in getting approval for Tax exemptions from the National Treasury and KRA.The Client has held several management meetings in order to accelerate the progress and the contract is now at 92%.	Ongoing	FY 2026




**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

3	Failure to purchase Survey Equipment	The contractor did not procure the Survey Equipment and the Client has not paid for it. During the works execution, the contractor provided his own survey equipment used in the implementation of the works and the measurement of works done.	Resolved	FY 2024
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Mr. Hamoud M. Mguza
Chief Executive Officer



Eng. David Kanui
Project Coordinator



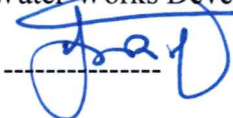
**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

Annex 2: Reconciliation of inter-entity transfers

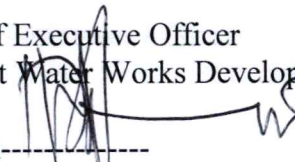
Project Name:				
Break down of transfers from the Ministry of Water, Sanitation & Irrigation				
a.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		9.10.2024	4,166,667	2024/2025
		29.11.2024	4,166,667	2024/2025
		29.11.2024	4,166,667	2024/2025
		28.1.2025	4,166,667	2024/2025
		Total	16,666,668	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		20.5.2025	5,674,489	2024/2025
		20.5.2025	16,695,179	2024/2025
		Total	22,369,668	
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
		Total (A+B+C)	39,036,336.00	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
Coast Water Works Development Agency

for Sign 

Chief Executive Officer
Coast Water Works Development Agency

Sign 



Annex 3: Fixed Asset Register

	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Land	-	-			-
Buildings and structures	-	-	-	-	-
Transport equipment	-	-	-	-	-
Office equipment, furniture and fittings	-	-	-	-	-
ICT Equipment	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-
Biological assets	-	-	-	-	-
Infrastructure Assets- Roads, Rails	-	-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Intangible assets	-	-	-	-	-
Work in Progress	198,050,380	64,193,918	-	-	262,244,298
Total	198,050,380	64,193,918	-	-	262,244,298



Annex 4: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2025
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)

