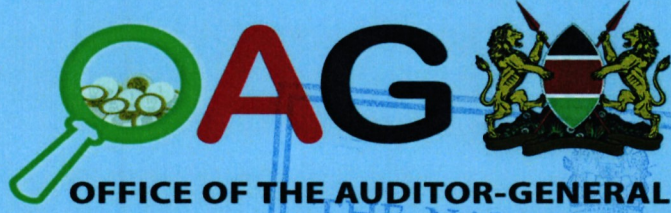


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
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REPORT

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

MINISTRY OF WATER AND SANITATION

**FOR THE YEAR ENDED
30 JUNE, 2020**

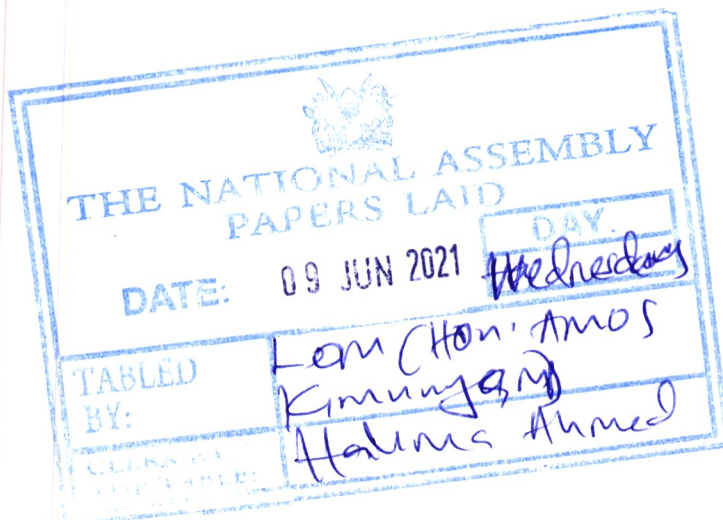


**MINISTRY OF WATER, SANITATION AND IRRIGATION
(MINISTRY OF WATER AND SANITATION -VOTE 1107)**

REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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



MINISTRY OF WATER AND SANITATION
Reports and Financial Statements
For the year ended June 30, 2020

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Water, Sanitation and Irrigation was formed after the merger of the former State Department for Irrigation and the Ministry of Water and Sanitation through Executive Order No. 6 of 22nd August 2019. The Ministry was originally mandated as per Executive Order No. 1 of June 2018 (revised) to protect, conserve, and manage Water Resources, achieve progressive realization to right to water and sanitation in accordance to article 43(b) (c) and (d) of the constitution for socio-economic development of the Nation. In addition, it is also mandated to offer consumer protection to water users, hydraulic engineering, sector coordination and resource mobilization. The functions of the Ministry are:

- Water Resources Management Policy
- Water Catchment Area Conservation, Control and Protection,
- Water and Sewerage Services Management Policy,
- Waste Water Treatment and Disposal Policy,
- Water Quality and Pollution Control,
- Sanitation Management.
- Management of Public Water Schemes and Community Water Projects.
- Domestic Water storage and Development.
- Development of Dams for Domestic and Industrial Water Uses

However, with the merger the expanded mandate now includes; National Irrigation Policy and Management, Management of Irrigation Schemes, Mapping, Designating and Developing Areas Ideal for Irrigation Schemes, Irrigation Water Harvesting and Storage. This mandate is guided by laws and policies which emphasize the need for efficiency and better management in the utilization of natural resources to enable the government achieve its strategic goals of economic growth, poverty reduction and social stability.

The Vision of the Ministry is Universal access to adequate, safe and sustainably managed water resources and sanitation and its Mission is to ensure good governance in the conservation, protection, harvesting and storage, management and development of water resources and sanitation infrastructure for national socio-economic development. The Ministry is also guided by the national values as espoused by the Constitution of Kenya. These values are: Sustainable Development, Honesty and Integrity, Human Dignity, Teamwork and focus on results, Innovation and Participatory approach. At cabinet level, the Ministry is represented by the Cabinet Secretary for Water, Sanitation and Irrigation who is responsible for the general policy and strategic direction of the Ministry.

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(b) Key Management

The Ministry's day-to-day management is under the following key organs:

- i. Directorate of water
 - Department of Water Services
 - Department of Water Resource
 - Department of Trans boundary Waters

- ii. Directorate of shared services
 - Human Resource Management and Development Department
 - Finance Department
 - Accounts Department
 - Supply Chain Management Department
 - Administration General Department
 - Records Management Department
 - ICT Department
 - Public Communication Department
 - Internal Audit Department

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(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

| <u>No.</u> | <u>Designation</u> | <u>Name</u> |
|------------|--|-----------------------------|
| 1. | Cabinet Secretary, Ministry of Water, Sanitation and Irrigation | - Sicily K. Kariuki, EGH |
| 2. | Chief Administrative Officer, Ministry of Water, Sanitation and Irrigation | - Dr. Andrew K. Tuimur, CBS |
| 3. | Principal Secretary Ministry of Water, Sanitation and Irrigation | - Joseph Irungu, CBS |
| 4. | Water Secretary, Ministry of Water, Sanitation and Irrigation | - Eng. S.O. Alima |
| 5. | Secretary Administration | - Joseph K. Keter |
| 6. | Director, Department of Trans-boundary Waters | - Gladys Wekesa |
| 7. | Director, Department Water Resources | - Chrispine Juma |
| 8. | Director, Human Resource Management and Development | - Caroline Mugwe |
| 9. | Director, Department of Infrastructure Development | - John Muiruri |
| 10. | Director, Central Planning and Project Monitoring Department | - Paul Asele |
| 11. | Chief Finance Officer | - Joel Onchwati |
| 12. | Assistant Accountant General | - Agnes Waweru |
| 13. | Deputy Director Supply Chain Management | - Julius Kieni |
| 14. | Chief Internal Auditor | - Dr. Julius O. Akicho |
| 15. | Principal Information Communication Officer | - Charles Nyakeri |
| 16. | Deputy Director, Youth Affairs | - Dr. Sophia Opiyo |
| 17. | Deputy Director Legal Department | - Rose Nyakwana |

(d) Fiduciary Oversight Arrangements

i) Audit and Finance Committee Activities

- Reviewing and monitoring the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements. In fulfilling its duties, the committee reviews with the external auditors, the scope of their audit plan, system of internal audit reports, assistance given by management and its staff to the auditors and any findings and actions to be taken.
- Reviewing any related party transactions that may arise within the State Department.
- Reviewing communication between external auditors and management including responses on audit queries on the annual financial statement raised by the Auditor General.
- Following up on recommendations of the Parliamentary Accounts Committee (PAC)

MINISTRY OF WATER AND SANITATION
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ii) Parliamentary Committee Activities

The parliamentary accounts committee as sole watchdog committee among others is responsible for:

- Receiving and discussing at the first instance reports from the Auditor General with a view of responding to them and making presentations to PAC in Parliament.
- Examine financial reports and accounts and Workings of the ministry
- Examine accounts showing appropriations by the national assembly to meet Ministry expenditure
- Examine whether the affairs of the ministry are managed with sound financial principles and prudent practices.

iii) Development Partner Oversight Activities

The oversight role is carried out by the establishment of a steering committee where all donors are members. This committee meets on a quarterly basis and all the donor representatives attend and have the following activities:

- Review development partners programs and activities through their missions
- Co-ordinate funding in the water sector
- Project completion review by the committee members

iv) Budget Committee Activities

This is the committee charged with the responsibility of implementation of the Ministry's budget and its prudent management. The duties of the committee include:

- To review budgets, supplementary estimates and performance of budget against actual for the State Department in consultation with the Heads of Department.
- To participate in sector working groups
- To review and consider the cash flow plans
- To review the utilization of the cash limits and consider any changes as may be required;
- To review the utilization of the donor funds voted for the State Department.
- To advice the accounting officer on the challenges related to the budget implementation
- To review and recommend the reallocation of payments
- To review and approve the submission of the payment returns, payroll IPPDs, pending bills and A-I-A returns for the State Department and recommend actions to be taken.

MINISTRY OF WATER AND SANITATION

Reports and Financial Statements

For the year ended June 30, 2020

(e) Ministry of Water, Sanitation and Irrigation Headquarters

P.O. Box 49720-00100
Maji House
Ngong Road
Nairobi, KENYA

(f) Entity Contacts

Telephone: (254) 020 - 2716103
E-mail: ps@water.go.ke
Website: www.water.go.ke

(g) Entity Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(h) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

2. FORWARD BY THE CABINET SECRETARY

During the period under review a number of key achievements were realized under policy and legal framework, among them are: Draft Bill to repeal KEWI Act 2001 developed. In addition, four draft regulations namely: Water and Sanitation Services Rules; Water Resources Rules, Water Harvesting and Storage Rules, and Water Tribunal Rules were developed to implement the Water Act 2016.

On the implementation of programmes, the Ministry increased water coverage from 60% in 2018 to 62.9% in 2019 while sewerage coverage in urban remains unchanged because most sewerage projects are ongoing. The Ministry rolled out implementation of Kenya Towns Sustainable Water and Sanitation program targeting rehabilitation and expansion of water and sanitation infrastructure in 28 towns across the country to connect 2.1 million people to clean water and 1.3 million to sewer systems. The other projects which were implemented include; Northern Collector Water Tunnel Project where 11.8 Km of the excavation of primary tunnel was 100% completed, Nairobi City Water Distribution Network (Kabete-Karen Pipeline and Kiambu-Embakasi Pipeline) at 89.5% complete, Ithanga Water Supply Project 100% complete, Kajiado Rural Water Supply Project 100% Complete, Oloitoktok Water Supply Project 65%Complete, Naivasha Industrial Park Water Supply Project 60% complete, laid 3.2 km of sewer pipeline under Nairobi Regeneration Sewer Rehabilitation Project , Chemususu Water Supply Project at 72% completion level. The Ministry also Connected 112 schools with water through drilling and equipping of boreholes or installation of water harvesting structures (Gutters and Tanks) across the counties.

To increase water harvesting and storage, the ministry commenced construction of large multipurpose dams namely Karimenu II in Kiambu which is at 10% completion level, Siyoi-Muruny in West at Pokot at 71%, Thwake in Kitui/Makueni at 40%, Yamo dam in Samburu County at 42%, fast-tracking implementation of resettlement action plan (RAP) for Mwache Dam which will supply water to Kwale and Mombasa to pave way for construction works to start. The Ministry also completed Construction of 84 small dam/pans

To improve water resources management, the mapping of Wajir County was done, enhanced data and information collection to assist in decision making and planning by installing 172 monitoring stations and upgrading 14 telemetric hydromet stations. Also, the ministry developed and implemented 43 sub catchment management plans, 6 basin plans and 50 watershed manuals.

To reduce high Non-Revenue Water which currently stands at 41% to acceptable levels, Standards to be used by Water Service Providers under the supervision of Water Services Regulatory Board (WASREB) were revised. Steadily improving visibility of sanitation and transboundary waters was achieved as the Ministry successfully organised Kenya Sanitation Conference, held at the Kenyatta International Convention Centre 28th – 31st October 2019 and 27th Nile Council of Ministers Forum held on 29th November, 2019 in Nairobi where Kenya took over the leadership of Nile Basin Initiative. Further, to foster collaboration on the use of shared water three Memorandum of Understandings (MOUs) for joint management of the shared water resources between Republic of Kenya and neighbouring countries were developed and implemented. The two MOUs are between The Republic of Kenya and United Republic of Tanzania for the joint management of Mara River Basin and Challa-Jipe and Uмба River Basin. The third MOU is between The Republic of Kenya and The Republic of Uganda for joint management of Sio-Malaba-Malakisi River Basin.

MINISTRY OF WATER AND SANITATION

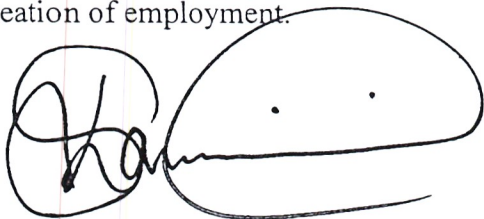
Reports and Financial Statements

For the year ended June 30, 2020

In spite of the all these achievements, the ministry still faces many challenges and emerging issues including but not limited to: Delays in project implementation due to inadequate funds to compensate project affected persons(PAPs) who have to be compensated for land liquidity challenges due to delayed disbursements ; difficulties in non-recovery of loans for infrastructures developed using donor funds; Delayed approval of master lists for tax exemption by the National Treasury has negatively impacted on the implementation of some projects; inconsistencies and deficiencies/lacuna in the Water Act 2016 has affected its implementation; lengthy process of consultations with large number of stakeholders especially the County Governments has delayed the finalization of strategies, policies and regulations as required by the Water Act 2016 and other legal frameworks; Grabbed land meant for water and sanitation infrastructure ; weak effluent discharge management systems due to disjointed regulations for affluent discharge permit and lack of harmonized framework for implementation of the polluter pay principle and disruption of planned activities as a result of COVID- 19 pandemic, among many others .

Going forward, the Ministry has put in place mechanisms to overcome these challenges by: Fast-tracking the finalization of the various three strategies namely; National Water Services and Sanitation Strategy, National Water Resources Management Strategy, National Water Harvesting and Storage Strategy and integrated Irrigation Development ; Construction of several dams to increase water storage to have enough water for domestic, industrial and irrigation needs , mobilization and allocation of more resources to ongoing key projects which give immediate returns so as to complete them and achieve 80% water coverage by the year 2022;

To address the inadequate financial resources, the Ministry will rationalize its activities to match the expected liquidity flow. In addition, the Ministry will continuously engage the National Treasury and Parliament with a view to enhance allocation for the projects, ensure prompt disbursement and provide funds for implementation of resettlement action plans in time. Continuous engagement of the National Treasury to enhance communication with project implementation agencies and grant exemption from remission of duty and taxes ; mobilize resources to enhance additional human resources , bridge the skills gap and put in place a robust succession management strategy ; enhance regulatory frameworks that govern management of trans-boundary water resources use to minimize conflicts as well as exploring new investment opportunities in water, sanitation, irrigation and land reclamation to increase substantial access to water and sanitation as well as improve food security and creation of employment.



SICILY K. KARIUKI (MRS), EGH
CABINET SECRETARY
MINISTRY OF WATER, SANITATION AND IRRIGATION

MINISTRY OF WATER AND SANITATION

Reports and Financial Statements

For the year ended June 30, 2020

| Programme | Objective | Outcome | Indicator | Performance |
|---|---|--|---|--|
| | conservation of water resources by 2022. | | | constructed as follows: 2 No. Sand Dams constructed |
| | | | No. of Water monitoring stations installed and upgraded | 172 monitoring stations installed and upgraded |
| | | | No. of exploratory boreholes drilled | 3 exploratory boreholes were drilled in Isinya, Jericho Market and Mwiki |
| | | | No. of MOUs on shared water signed and implemented | 3 MOUs between Kenya and neighbouring countries were signed and implemented |
| Water Storage and Flood Control | To Increase water storage per capita from 4.5M ³ to 14M ³ by 2022 | Enhanced Water Storage and Availability | No. of small dams constructed | 84 small dams/pans were completed with a total storage capacity of 2 Million cubic meters |
| | | | No. of Large and Medium dams constructed | 4 medium dams are ongoing- Thwake at 40% comple, Siyoi-muruny 71% complete, Karimenu II at 10% completion and Yamo at 42% completion. Also, resettlement action plan to pave way construction of Mwache dam is being implented |
| | | | No. of Kms of flood control dykes constructed | 5.25 kms of flood control dykes were constructed at lower Nzoia |
| Water and Sewerage Infrastructure Development | To increase the percentage of national | Enhanced accessibility of water and sewerage | % of national population with access to water | In FY 19/20 increased access to water from 61% to 62.9% through |

MINISTRY OF WATER AND SANITATION
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| Programme | Objective | Outcome | Indicator | Performance |
|---|---|----------------|---|--|
| | population with access to improved sanitation from 68% in 2017 to 80% | services | | completion of 116 small water projects and 9 large water supply projects which served 1.6 million people |
| % urban population with access to sewerage services | | | The level is still at 26% because planned sewerage projects are ongoing | |
| % urban population with access to improved sanitation | | | 28 sanitation projects were completed to serve 167,130 people in the urban informal settlements | |

4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Ministry of Water, Sanitation and Irrigation exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on Ministry of Water, Sanitation and Irrigation pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar:

1. Sustainability strategy and profile

The ministry has developed and submitted the National Water Policy to the Cabinet for approval. The ministry has also engaged a consultant to develop various regulations under: Water Services, Water Resources, Water Harvesting and Storage and the Water Tribunal to guide on implementation of the Water Act 2016.

The ministry has also drafted various strategies under: Water Services and Sanitation, National Water Resources Management, Water Harvesting and Storage.

To implement the planned programmes and projects, the ministry needs adequate resource allocation. The budget has been enhanced from Ksh. 60 Billion to Ksh.65 Billion. the ministry acts as an enabler to the "Big Four Agenda" through its various initiatives that include: Dongo Kundu water project in Mombasa, Economic Processing Zone in Athi river, and Industrial Park at Naivasha.

The ministry overseas many projects and as a result 160 projects have been completed under NEIP, 9,900 acres have been rehabilitated and under production, 7,100 water pans constructed and 32 small dams rehabilitated across 20 Counties.

The ministry has also supported the Building Bridges Initiatives by connecting 100 schools to clean water, building 100 pans with total water storage capacity of 2.1 trillion cubic metres, completing 118 boreholes in ASAL and 67 water projects are at different stages of completion.

The ministry of water has brought together different stakeholders by organizing the Kenya Sanitation Conference from 25th to 31st October 2019 which was attended by 1,800 stakeholders from all over the world to discuss various sanitation matters.

2. Environmental performance

All water sector institutions under the ministry have been directed to put 10% of the project area coverage by planting trees, 8,000 indigenous trees and 2,000 fruit trees were planted in November, 2019 at Mwache Dam catchment. The Ministry has a further target to plant one million indigenous trees and 200,000 fruit trees.

MINISTRY OF WATER AND SANITATION
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3. Employee welfare

During the financial year 2019/2020 the ministry recruited 2 people; one male and one female. The training budget for the financial year 2019/2020 was ksh. 2,166,140. The budget was utilised to benefit the staff in the ministry as follows:

- i. Senior Management Course -22 Staff members trained and later received promotions
- ii. Drivers -1 Staff member was promoted
- iii. Skills improvement-1 Human Resource Staff trained
- iv. Pre-retirement course-20 Staff members trained
- v. Out of 622 members of staff, 402 were appraised, others had retired or transferred.

4. Market place practices-

The ministry engages all the departments in procurement planning, the procurement plan is signed by each AIE to ensure accountability. The accounting officer of the ministry appoints an inspection and acceptance committee to ensure that all supplies received by the ministry meet the required standards.

The procurement plan details the amounts allocated to the AGPO group and the percentages. The Ministry awarded a total of Ksh. 56,393,582 to Youth, Women and Persons with Disabilities (PWD) during the financial year 2019/2020.

The ministry settled Pending Bills amounting to Ksh. 24,400,000 during the financial year 2019/2020. The ministry has a monitoring and evaluation team incorporated under the project appraisal system.

5. Community Engagements

The ministry received 174 water tanks from UNICEF to support rain water harvesting in public schools. The ministry also distributed 280 boxes of Aquatab with varying quantities. Also a further amount of 1,294 boxes were distributed through Water Sector Agencies.

MINISTRY OF WATER AND SANITATION

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5. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

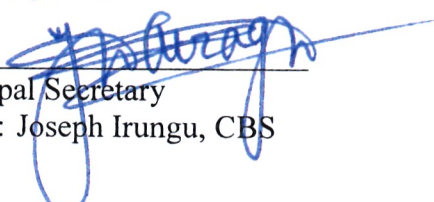
The Accounting Officer in charge of the Ministry of water and Sanitation is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

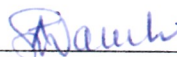
The Accounting Officer in charge of the Ministry of water and Sanitation accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Accounting Officer charge of the Ministry of water and Sanitation further confirms the completeness of the accounting records maintained for the ministry, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of water and Sanitation confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Ministry's financial statements were approved and signed by the Accounting Officer on 19.02. 2020.


Principal Secretary
Name: Joseph Irungu, CBS


Assistant Accountant General
Name: Agnes W. Waweru
ICPAK Member Number: 5514

MINISTRY OF WATER AND SANITATION
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For the year ended June 30, 2020

REPUBLIC OF KENYA

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Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF WATER AND SANITATION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Ministry of Water and Sanitation set out on pages 1 to 25, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation-recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Ministry of Water and Sanitation as at 30 June, 2020, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Direct Payments

The statement of receipts and payments reflects transfers to other government units amounting to Kshs.44,537,950,942 which, as disclosed in Note 7 to the financial statements, includes direct payments totaling Kshs.14,302,775,320 made by the Ministry on behalf of various self-reporting entities. However, Management has not provided documentary confirmations of payments amounting to Kshs.9,294,463,628 by the receiving entities for audit verification.

In the circumstances, it has not been possible to ascertain the completeness and accuracy of the reported direct payments balance of Kshs.14,302,775,320.

2. Variances Between Financial Statements and Confirmations from Other Government Agencies

Included in transfers to other government units balance of Kshs.44,537,950,942 are transfers made to various self-reporting entities. However, some of the transfers differ with the balances confirmed received by the receiving entities as detailed below:

| Government Agency | Financial Statements (Kshs.) | Confirmation from Receiving Entities (Kshs.) | Variance (Kshs.) |
|--|-------------------------------------|---|-------------------------|
| Tanathi Water Works Development Agency (Development) | 594,486,283 | 591,956,283 | 2,530,000 |
| Rift Valley Water Works Development Agency (Development) | 2,341,250,000 | 2,042,500,000 | 298,750,000 |
| National Water Harvesting and Storage Authority (Development) | 1,709,485,831 | 1,531,485,831 | 178,000,000 |
| Thwake Multipurpose Project (Development) | 4,558,562,930 | 4,550,837,635 | 7,725,295 |
| Kenya Water Security and Climate Resilience Project (Development and AIA) | 2,891,773,892 | 3,303,403,461 | (411,629,569) |
| Coastal Region Water Security and Climate Resilience Project (Development and AIA) | 2,560,291,339 | 2,550,676,785 | 9,614,554 |
| Water and Sanitation Development Project (Development) | 207,948,603 | 209,150,026 | (1,201,423) |
| Tana Water Works Development Agency (AIA) | 1,311,182,042 | 1,392,247,242 | (81,065,200) |

In the absence of explanation or reconciliation of the differences between the two sets of records, it has not been possible to confirm the accuracy of the reported balance of Kshs.44,537,950,942 under transfers to other government units. Similarly, it has not been possible to confirm the accuracy of the Kshs.4,558,872,930 reflected in the financial statements under acquisition of assets.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ministry of Water and Sanitation 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 audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters which, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

1. Budgetary Performance

The summary statement of appropriation-recurrent and development combined reflects total budgeted receipts of Kshs.61,006,675,053 against actual receipts of Kshs.49,720,190,456, resulting to underfunding of Kshs.11,286,484,598 or 19%. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.61,006,675,053 and Kshs.49,720,171,437 respectively resulting to an under-expenditure of Kshs.11,286,503,616 or 19% of the budget which occurred mainly under transfers to other government units. Although Management attributed the underfunding to lack of Exchequer releases from The National Treasury and lengthy procurement process, the Ministry may not have implemented all planned activities, impacting negatively on delivery of services to the public.

2. Inconsistency in Budgeting and Reporting for Projects

Review of the Ministry's budget and financial statements revealed inconsistencies on how projects were budgeted for and reported in the financial statements. For instance, Thwake Multipurpose Development Project was budgeted for and reported under acquisition of assets while other similar projects were budgeted for and reported under transfers to other government units. In addition, it was observed that a number of Headquarter projects were budgeted for and reported under transfers to other government units, yet the amounts were not transferred to other government agencies.

In the absence of consistent budget procedures and reporting for similar projects, it may not be possible to get comparable project information from the Ministry's financial statements as presented.

3. Delay of Exchequer Releases

Review of records maintained by the Ministry in relation to Exchequer Releases revealed that the Ministry received Kshs.14,007,760,890 as Exchequer releases from The National Treasury in the months of June and July ,2020, as detailed below.

| Date of Receipt | Recurrent / Development | Amount (Kshs.) |
|-----------------|-------------------------|----------------|
| 5 June 2020 | Development | 300,000,000 |
| 9 June2020 | Development | 5,371,747,307 |
| 12 June 2020 | Development | 28,604,196 |
| 15 June 2020 | Development | 1,425,200,000 |
| 19 June 2020 | Development | 158,338,300 |

| Date of Receipt | Recurrent / Development | Amount (Kshs.) |
|------------------------|--------------------------------|-----------------------|
| 25 June 2020 | Development | 200,000,000 |
| 25 June 2020 | Recurrent | 286,439,258 |
| 26 June 2020 | Development | 2,112,797,670 |
| 30 June 2020 | Recurrent | 19,250,782 |
| 2 July 2020 | Development | 105,383,377 |
| 2 July 2020 | Development | 4,000,000,000 |
| Total | | 14,007,760,890 |

The delay in Exchequer releases may have resulted in low absorption of the budget and this may have affected the development programmes of the Ministry and provision of services to the to the public.

4. Pending Bills

Note 15.1 to the financial statements reflects pending bills of Kshs.42,157,239 which were not paid during the year under review but were instead carried forward to the 2020/2021 financial year. Failure to settle bills in the year to which they relate adversely affects the subsequent year's provisions, since the bills form the first charge to that year's budget provisions.

5. Unresolved Prior Year Matters

As disclosed under progress on follow up of prior years' auditor's recommendations section of the financial statements, some of the issues reported in the prior year, remained unresolved as at 30 June, 2020.

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 matter(s) 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. Failure to Establish the Water Tribunal

The Water Act, 2016 established a Water Tribunal with the powers to hear and determine appeals from any person or institution affected by the decisions or order of the Cabinet Secretary, Water Resources Authority and Water Services Regulatory Board or of any person acting under the authority of the Cabinet Secretary, the Authority and Regulatory Board. According to the Act, the Tribunal was to commence its functions upon commencement of the Act, and all the assets, property, rights, liabilities, obligations,

agreements and other arrangements entered into by the Water Appeals Board, established under the repealed Water Act, 2002, were to be transferred to the Water Tribunal. However, by the time of this audit in December 2020, the Ministry had not gazetted the Water Tribunal and therefore, it had no legal mandate to hear disputes or appeals inherited from the Water Appeals Board or new appeals. Failure to operationalize the Tribunal may result in backlog of cases, delayed justice to stakeholders and a breach of the law.

2. Expired Performance Security for Sagana River Restoration Project

The Ministry entered into a contract for the Sagana River Restoration Project on 9 January, 2019 at a contract price of Kshs.1,194,801,722. The expected construction period for the Project was eighteen (18) months. The scope of work included construction of an intake, two dams on Kahiti River, a balancing tank, six (6) distribution tanks and wayleaves. A review of the Project's implementation documents revealed that the contractor's performance guarantee expired on 9 July, 2020, and it had not been renewed by the time of this audit in December, 2020. This is contrary to Section 142 of the Public Procurement and Assets Disposal Act, 2015, which requires a contractor to provide performance security for construction works.

3. Delay in Project Implementation due to Delayed Handover of the Site

The Ministry entered into a contract for the Maragua Bulk Water Supply and Irrigation Project on 14 February, 2020 at a contract price of Kshs.889,397,520. The expected construction period was eighteen (18) months. The scope of work included construction of a 14-meter-high composite dam, 8,000 m³ per day full water treatment plant at Gakaigo and supply and installation of all valves and fittings for the pipelines and other ancillary works. A review of the Project records revealed that the construction of the water treatment plant of 8,000 m³ per day capacity was supposed to be constructed on a land parcel owned by Nginda Coffee Farmer's Co-operative Society Limited. By the time of this audit in December 2020, the co-operative members had not handed over the site to the Ministry, to pave way for the construction of the treatment plant. This may result in delays in implementation of the Project. This is contrary to sub clause 20.1 of the general conditions of the contract, which required the employer to give possession of the site to the contractor within 28 days of signing of the contract, and in the event that this was not done, the employer would be considered to have delayed commencement of the Project, and this would require compensation.

Consequently, the delay in site handover may result into additional Project costs and delay in achievement of Project objectives. Further, additional Project costs will give rise to lack of value for money and wastage of public resources.

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the 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 overall governance, were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Ministry's ability to continue sustaining services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Ministry or 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 Ministry's financial reporting process, reviewing the effectiveness of Management's systems for monitoring 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 which 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 review is planned and performed to express a conclusion on whether, in all material respects, 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, 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 which 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 which 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 Ministry's 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 which 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 which may cast significant doubt on the Ministry's ability to continue sustaining 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 Ministry to cease sustaining 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Ministry 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 which are identified during the audit.

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

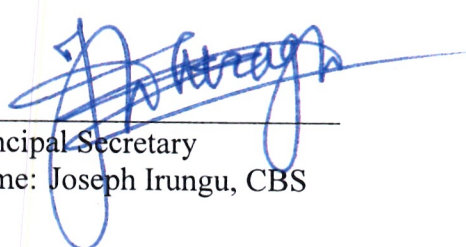
17 May, 2021

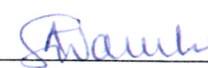
MINISTRY OF WATER AND SANITATION
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For the year ended June 30, 2020

7. STATEMENT OF RECEIPTS AND PAYMENTS

| | Note | 2019- 2020 Kshs | 2018-2019 Kshs |
|---|------|-----------------------|-----------------------|
| RECEIPTS | | | |
| Proceeds from Domestic and Foreign Grants | 1 | 316,593,484 | 312,186,817 |
| Exchequer Releases | 2 | 29,931,554,744 | 17,833,419,829 |
| Proceeds from Foreign Borrowings | 3 | 18,058,485,331 | 13,459,523,910 |
| Other Revenues | 4 | 1,413,556,897 | 1,699,399,926 |
| TOTAL REVENUES | | 49,720,190,456 | 33,304,530,482 |
| PAYMENTS | | | |
| Compensation of Employees | 5 | 536,747,541 | 570,594,989 |
| Use of goods and services | 6 | 86,600,024 | 314,634,488 |
| Transfers to Other Government Units | 7 | 44,537,950,942 | 27,501,227,464 |
| Acquisition of Assets | 8 | 4,558,872,930 | 4,886,362,901 |
| TOTAL PAYMENTS | | 49,720,171,437 | 33,272,819,842 |
| SURPLUS/DEFICIT | | 19,019 | 31,710,640 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 19.02. 2020 and signed by:


Principal Secretary
Name: Joseph Irungu, CBS

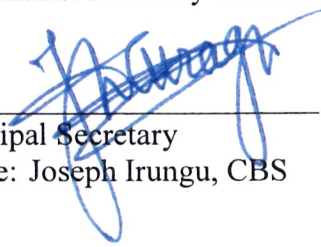

Assistant Accountant General
Name: Agnes W. Waweru
ICPAK Member Number: 5514

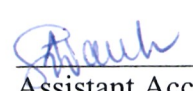
MINISTRY OF WATER AND SANITATION
Reports and Financial Statements
For the year ended June 30, 2020

8. STATEMENT OF ASSETS AND LIABILITIES

| | Note | 2019- 2020 Kshs | 2018-2019 Kshs |
|--|------|--------------------|-------------------|
| FINANCIAL ASSETS | | | |
| Cash and Cash Equivalents | | | |
| Bank Balances | 9A | 292,629,601 | 64,957,228 |
| Cash Balances | 9B | - | 894,394 |
| Total Cash And Cash Equivalents | | 292,629,601 | 65,851,621 |
| TOTAL FINANCIAL ASSETS | | 292,629,601 | 65,851,621 |
| LESS: FINANCIAL LIABILITIES | | | |
| Accounts Payables - Deposits | 10 | 292,610,582 | 34,140,982 |
| NET FINANCIAL ASSETS | | 19,019 | 31,710,640 |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 11 | 31,710,640 | 221,444,774 |
| Prior year adjustments | 12 | (31,710,640) | (221,444,774) |
| Surplus/Defict for the year | | 19,019 | 31,710,640 |
| NET FINANCIAL POSSITION | | 19,019 | 31,710,640 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20.02. 2020 and signed by:


Principal Secretary
Name: Joseph Irungu, CBS

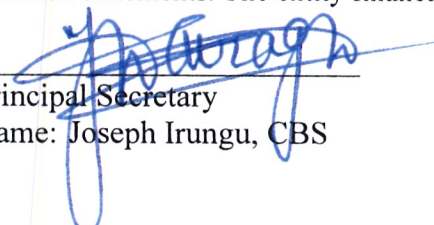

Assistant Accountant General
Name: Agnes W. Waweru
ICPAK Member Number: 5514

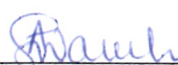
MINISTRY OF WATER AND SANITATION
Reports and Financial Statements
For the year ended June 30, 2020

9. STATEMENT OF CASH FLOWS

| | Note | 2019-2020 Kshs | 2018-2019 Kshs |
|---|------|-------------------------|------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts for operating income | | | |
| Proceeds from Domestic and Foreign Grants | 1 | 316,593,484 | 312,186,817 |
| Transfers from National Treasury | 2 | 29,931,554,744 | 17,833,419,829 |
| Other Revenues | 4 | 1,413,556,897 | 1,699,399,926 |
| | | 31,661,705,125 | 19,845,006,572 |
| Payments for operating expenses | | | |
| Compensation of Employees | 5 | 536,747,541 | 570,594,989 |
| Use of goods and services | 6 | 86,600,024 | 314,634,488 |
| Transfers to Other Government Units | 7 | 44,537,950,942 | 27,501,227,464 |
| | | 45,161,298,507 | 28,386,456,941 |
| Adjusted for: | | | |
| Decrease/(Increase) in Accounts receivable: (outstanding imprest) | | - | 2,743,466 |
| Increase/(Decrease) in Accounts Payable: (deposits and retention) | 10 | 258,469,601 | (1,335,769) |
| Prior Year Adjustments | 12 | (31,710,640) | (221,444,774) |
| | | (13,272,834,421) | (8,761,487,446) |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of Assets | 8 | (4,558,872,930) | (4,886,362,901) |
| Net cash flows from Investing Activities | | (4,558,872,930) | (4,886,362,901) |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | 3 | 18,058,485,331 | 13,459,523,910 |
| Net cash flow from financing activities | | 18,058,485,331 | 13,459,523,910 |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | 226,777,980 | (188,326,437) |
| Cash and cash equivalent at BEGINNING of the year | | 65,851,622 | 254,178,058 |
| Cash and cash equivalent at END of the year | | 292,629,601 | 65,851,621 |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20.02. 2020 and signed by:


Principal Secretary
Name: Joseph Irungu, CBS


Assistant Accountant General
Name: Agnes W. Waweru
ICPAK Member Number: 5514

10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

| Revenue/Expense Item | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilisation Difference | % of Utilisation Difference to Final Budget |
|---|-----------------------|----------------------|-----------------------|----------------------------|-------------------------------|---|
| | a | b | c=a+b | d | e=c-d | f=d/c % |
| RECEIPTS | | | | | | |
| Proceeds from Domestic and Foreign Grants | 1,429,537,900 | (742,937,900) | 686,600,000 | 316,593,484 | 370,006,516 | 46% |
| Exchequer releases | 31,349,147,883 | 6,068,606,117 | 37,417,754,000 | 29,931,554,744 | 7,486,199,256 | 80% |
| Proceeds from Foreign Borrowings | 26,005,000,000 | (5,205,678,947) | 20,799,321,053 | 18,058,485,331 | 2,740,835,722 | 87% |
| Other Receipts | 954,500,000 | 1,148,500,000 | 2,103,000,000 | 1,413,556,897 | 689,443,103 | 66% |
| Total Receipts | 59,738,185,783 | 1,268,489,270 | 61,006,675,053 | 49,720,190,456 | 11,286,484,598 | 81% |
| Payments | | | | | | |
| Compensation of Employees | 276,397,883 | 266,978,570 | 543,376,453 | 536,747,541 | 6,628,912 | 99% |
| Use of goods and services | 81,527,131 | 21,959,605 | 103,486,736 | 86,600,024 | 16,886,712 | 84% |
| Transfers to Other Government Units | 53,480,787,900 | 1,844,551,095 | 55,325,338,995 | 44,537,950,942 | 10,787,388,053 | 80% |
| Acquisition of Assets | 5,899,472,869 | (865,000,000) | 5,034,472,869 | 4,558,872,930 | 475,599,939 | 91% |
| Grand Total | 59,738,185,783 | 1,268,489,270 | 61,006,675,053 | 49,720,171,437 | 11,286,503,616 | 81% |
| Surplus/Deficit | 0 | 0 | 0 | 19,019 | (19,019) | |


NOTES:


1. The underutilization on proceeds from domestic and foreign grants of 54% was due to Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.
2. The underutilization on proceeds from foreign borrowing of 13% was due to Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.
3. The under collection on Exchequer releases of 35% was as a result of lack of Exchequer funding from The National Treasury
4. The under collection on other Receipts of 34% was as a result of the new Water Act 2016 which repealed the collection of the water rates by the water service providers.

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5. *The underutilization on Use of goods and services of 22% is due to lack of exchequer funding*
6. *The underutilization on transfer to other government units of 20% was as a result of Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.*

The entity financial statements were approved on 19.02. 2020 and signed by:


Principal Secretary
Name: Joseph Irungu, CBS


Assistant Accountant General
Name: Agnes W. Waweru
ICPAK Member Number: 5514

MINISTRY OF WATER AND SANITATION

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For the year ended June 30, 2020

11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

| Revenue/Expense Item | Original Budget a | Adjustments b | Final Budget c=a+b | Actual on Comparable Basis d | Budget Utilisation Difference e=d-c | % of Utilisation Difference to Final Budget f=d/c % |
|-------------------------------------|----------------------|----------------------|-----------------------|---------------------------------------|--|---|
| RECEIPTS | | | | | | |
| Exchequer releases | 1,811,797,883 | 1,741,338,175 | 3,553,136,058 | 3,523,089,620 | 30,046,438 | 99% |
| Other Receipts | 954,500,000 | 1,148,500,000 | 2,103,000,000 | 1,394,282,159 | 689,443,103 | 66% |
| Total Receipts | 2,766,297,883 | 2,889,838,175 | 5,656,136,058 | 4,917,371,779 | 719,489,541 | 87% |
| PAYMENTS | | | | | | |
| Compensation of Employees | 276,397,883 | 266,978,570 | 543,376,453 | 536,747,541 | 6,628,912 | 99% |
| Use of goods and services | 81,527,131 | 21,959,605 | 103,486,736 | 86,600,024 | 16,886,712 | 84% |
| Transfers to Other Government Units | 2,406,900,000 | 2,600,900,000 | 5,007,800,000 | 4,293,713,990 | 694,811,272 | 86% |
| Acquisition of Assets | 1,472,869 | 0 | 1,472,869 | 310,000 | 1,162,869 | 21% |
| Grand Total | 2,766,297,883 | 2,889,838,175 | 5,656,136,058 | 4,917,371,555 | 719,489,765 | 87% |
| Surplus/Deficit | - | - | - | 224 | (224) | |

Notes :

1. The under collection on other Receipts of 34% was as a result of the new Water Act 2016 which repealed the collection of the water rates by the water service providers.
2. The underutilization on Use of goods and services of 22% is due to lack of exchequer funding
3. The underutilization on transfer to other government units of 42% was as a result of Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.
4. The underutilization on Acquisition of assets of 89% is due to lack of exchequer funding.

The entity financial statements were approved on 19.02.2020 2020 and signed by:


Principal Secretary

Name: Joseph Irungu, CBS


Assistant Accountant General

Name: Agnes W. Waweru

ICPAK Member Number: 5514

MINISTRY OF WATER AND SANITATION
Reports and Financial Statements
For the year ended June 30, 2020

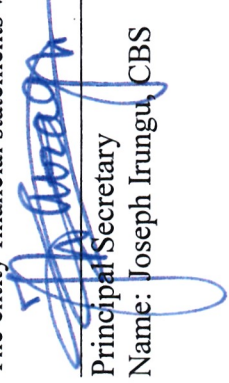
12. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT


| Revenue/Expense Item | Original Budget a | Adjustments b | Final Budget c=a+b | Actual on Comparable Basis d | Budget Utilisation Difference e=c-d | % of Utilisation f=d/c % |
|---|-----------------------|------------------------|-----------------------|------------------------------------|---|--------------------------------|
| RECEIPTS | | | | | | |
| Proceeds from Domestic and Foreign Grants | 1,429,537,900 | (742,937,900) | 686,600,000 | 316,593,484 | 370,006,515.75 | 46% |
| Exchequer releases | 29,537,350,000 | 4,327,267,942 | 33,864,617,942 | 26,408,465,124 | 7,456,152,818 | 78% |
| Proceeds from Foreign Borrowings | 26,005,000,000 | (5,205,678,947) | 20,799,321,053 | 18,058,485,331 | 2,740,835,722 | 87% |
| Total Receipts | 56,971,887,900 | (1,621,348,905) | 55,350,538,995 | 44,783,543,939 | 10,566,995,056 | 81% |
| Payments | | | | | | |
| Transfers to Other Government Units | 51,073,887,900 | (756,348,905) | 50,317,538,995 | 40,224,962,214 | 10,092,576,781 | 80% |
| Acquisition of Assets | 5,898,000,000 | (865,000,000) | 5,033,000,000 | 4,558,562,930 | 474,437,070 | 91% |
| Grand Total | 56,971,887,900 | (1,621,348,905) | 55,350,538,995 | 44,783,525,144 | 10,567,013,851 | 81% |
| Surplus/Deficit | - | - | - | 18,795 | (18,795) | |

NOTES:

- 1. The underutilization on proceeds from domestic and foreign grants of 54% was due to Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.*
- 2. The under collection on Exchequer releases of 38% was as a result of lack of Exchequer funding from The National Treasury.*
- 3. The underutilization on proceeds from foreign borrowing of 13% was due to Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects.*
- 3. The underutilization on transfer to other government units of 20% was as a result of Sagas not requisitioning for funds due to delay in project implementation as a result of lengthy procurement process and lengthy funds flow processes in donor funded projects*

The entity financial statements were approved on 19-02- 2020 and signed by:


Principal Secretary
Name: Joseph Irungu, CBS


Assistant Accountant General
Name: Agnes W. Waweru
ICPAK Member Number: 5514

MINISTRY OF WATER AND SANITATION
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For the year ended June 30, 2020

13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

| programme/Sub-programme | Approved Budget | Adjustments | Final Budget | Actual Payments | Variance | Budget utilization difference |
|---|-----------------------|-------------|-----------------------|-----------------------|-----------------------|-------------------------------|
| General Administration, Planning and Support Services | 801,742,910 | 0 | 801,742,910 | 578,798,083 | 222,944,827 | 355,853,255 |
| Water Resources Management | 10,635,989,705 | 0 | 10,635,989,705 | 7,612,106,978 | 3,023,882,727 | 4,588,224,250 |
| project for non revenue water in kenya | 0 | 0 | 0 | (31,500) | 31,500 | (63,000) |
| project for capacity development for effective flood management | 9,683,000,000 | 0 | 9,683,000,000 | 8,206,374,184 | 1,476,625,816 | 6,729,748,369 |
| Kenya Water Security and Climate Resilience Programme | 39,885,942,437 | 0 | 39,885,942,437 | 31,334,319,863 | 8,551,622,574 | 22,782,697,288 |
| Grand Total | 61,006,675,052 | 0 | 61,006,675,052 | 47,731,567,607 | 13,275,107,445 | 34,456,460,163 |

14. SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (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.

2. Reporting Entity

The financial statements are for the Ministry of Water and Sanitation. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012.

3. Reporting Currency

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

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

a) Recognition of Receipts

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

• Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

MINISTRY OF WATER AND SANITATION
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SIGNIFICANT ACCOUNTING POLICIES

• **Transfers from the Exchequer**

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

• **External Assistance**

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

Grants and loans 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/loan 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. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

• **Use of Goods and Services**

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

• **Interest on Borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES

- **Repayment of Borrowing (Principal Amount)**

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

- **Acquisition of Fixed Assets**

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

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

5. In-kind contributions

In-kind contributions are donations that are made to the Entity 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 Entity 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.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf 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 in the statement of receipts and payments as proceeds from foreign borrowings.

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.

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 party deposits. As at 30th June 2020, this amounted to Kshs. 292,610,582 compared to Kshs. 34,140,982 in prior period as indicated on note 11.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

MINISTRY OF WATER AND SANITATION
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8. Accounts Receivable

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

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

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

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2019 for the period 1st July 2019 to 30th June 2020 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government 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.

12. Comparative Figures

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

SIGNIFICANT ACCOUNTING POLICIES

13. 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 30th June 2020.

MINISTRY OF WATER AND SANITATION
Reports and Financial Statements
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14. Errors

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

During the year, errors that have been corrected are disclosed under note 13 explaining the nature and amounts.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

MINISTRY OF WATER AND SANITATION
Reports and Financial Statements
For the year ended June 30, 2020

15. NOTES TO THE FINANCIAL STATEMENTS

1. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

| Name of Donor | 2019-2020 | 2018-2019 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Grants Received from Bilateral Donors (Foreign Governments) | 71,061,356 | 312,186,817 |
| Grants Received from Multilateral Donors (International Organisations) | 245,532,128 | - |
| | 316,593,484 | 312,186,817 |

The above grants were used in the implementation of development projects

2. EXCHEQUER RELEASES

| Description | 2019-2020 | 2018-2019 |
|--|-----------------------|-----------------------|
| | Kshs | Kshs |
| Total Exchequer Releases for quarter 1 | 6,644,440,126 | 1,321,343,169 |
| Total Exchequer Releases for quarter 2 | 5,010,566,617 | 4,907,773,799 |
| Total Exchequer Releases for quarter 3 | 2,700,863,238 | 3,573,990,131 |
| Total Exchequer Releases for quarter 4 | 15,575,684,763 | 8,030,312,730 |
| Total | 29,931,554,744 | 17,833,419,829 |

3. PROCEEDS FROM FOREIGN BORROWINGS

| | 2019-2020 | 2018-2019 |
|--|-----------------------|-----------------------|
| | Kshs | Kshs |
| Foreign Borrowing – Draw-downs Through Exchequer | | 782,434,124 |
| Foreign Borrowing - Direct Payments | 18,058,485,331 | 12,677,089,786 |
| | | |
| Total | 18,058,485,331 | 13,459,523,910 |

MINISTRY OF WATER AND SANITATION
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4. OTHER REVENUES

| Description | 2019-2020 | 2018-2019 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Receipts from Administrative Fees and Charges | 3,650,344 | |
| Receipts from Administrative Fees and Charges - Collected as AIA | 1,409,890,553 | 3,312,530 |
| Receipts from Incidental Sales by Non-Market Establishments | | 1,695,950,396 |
| Receipts from Sale of Incidental Goods | 16,000 | 137,000 |
| Total | 1,413,556,897 | 1,699,399,926 |

5. COMPENSATION OF EMPLOYEES

| | 2019-2020 | 2018-2019 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Basic salaries of permanent employees | 333,858,368 | 333,222,280 |
| Basic wages of temporary employees | | 7,250,517 |
| Personal allowances paid as part of salary | 202,889,173 | 230,122,193 |
| Total | 536,747,541 | 570,594,989 |

MINISTRY OF WATER AND SANITATION
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. USE OF GOODS AND SERVICES

| | 2019- 2020 Kshs | 2018-2019 Kshs |
|--|--------------------|--------------------|
| Utilities, supplies and services | 10,506,902 | 11,476,838 |
| Communication, supplies and services | 1,011,816 | 3,412,782 |
| Domestic travel and subsistence | 37,633,496 | 38,338,802 |
| Foreign travel and subsistence | 2,065,942 | 5,549,866 |
| Printing, advertising and information supplies & services | 442,915 | 4,945,522 |
| Rentals of produced assets | - | 78,400 |
| Training expenses | 2,166,140 | 5,009,839 |
| Hospitality supplies and services | 1,798,995 | 6,301,337 |
| Specialised materials and services | 3,146,978 | 34,941,146 |
| Office and general supplies and services | 1,205,720 | 5,051,042 |
| Other operating expenses | 13,205,846 | 174,842,561 |
| Routine maintenance – vehicles and other transport equipment | 5,112,125 | 7,168,569 |
| Routine maintenance – other assets | 1,255,350 | 5,404,196 |
| Fuel Oil and Lubricants | 7,047,800 | 12,113,588 |
| | | |
| TOTAL | 86,600,024 | 314,634,488 |

7. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

| Description | 2019- 2020 Kshs | 2018-2019 Kshs |
|--|-----------------------|-----------------------|
| Transfers to National Government entities: | | |
| Grants to Government Agencies-Current | 4,312,988,728 | 4,151,961,456 |
| Grants to Government Agencies-Capital | 40,224,962,214 | 23,349,266,008 |
| | | |
| TOTAL | 44,537,950,942 | 27,501,227,464 |

MINISTRY OF WATER AND SANITATION
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The above transfers were made to the following self-reporting entities in the year:

| Description | Recurrent | Development | AIA Direct Payments | Total |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| | Kshs | Kshs | | Kshs |
| Transfers to SAGAs and SCs | | | | - |
| Lake Victoria South Water Works Development agency | 120,000,000 | 763,700,000 | 643,382,919 | 1,527,082,919 |
| Tanathi Water Works Development Agency | 120,000,000 | 594,486,283 | 801,537,979 | 1,516,024,262 |
| Water Resources Authority | 399,999,998 | 183,000,000 | | 582,999,998 |
| Athi Water Works Development Agency | 399,999,998 | 9,763,147,133 | 6,060,665,934 | 16,223,813,065 |
| Northern Water Works Development Agency | 105,000,000 | 1,190,250,000 | | 1,295,250,000 |
| Central Rift Valley Water Works Development Agency | 189,999,998 | 2,341,250,000 | 1,777,448,833 | 4,308,698,831 |
| Water Sector Trust Fund | 170,000,000 | 1,898,300,613 | | 2,068,300,613 |
| Upper Tana Catchment Natural Resources Management Project | - | 629,050,821 | | 629,050,821 |
| Kenya Water Security and Climate Resilience Project | - | 1,481,388,911 | 1,410,384,981 | 2,891,773,892 |
| National Water Conservation Pipeline Corporation | 399,999,998 | 1,709,485,831 | | 2,109,485,829 |
| Kenya Water Institute | 215,645,558 | 87,567,150 | | 303,212,708 |
| Coast Water Works Development Agency | 458,799,997 | 739,503,041 | 11,427,963 | 1,209,731,001 |
| Tana Water Works Development Agency | 139,999,999 | 1,966,000,000 | 1,311,182,042 | 3,417,182,041 |
| Lake Victoria North Water Works Development Agency | 129,999,998 | 648,565,110 | | 778,565,108 |
| Regional Centre on Ground Water Resource Education and Research | 35,000,000 | 10,000,000 | | 45,000,000 |
| Coastal Region Water Security and Climate Resilience Project | - | 568,495,273 | 1,991,796,066 | 2,560,291,339 |
| Appropriation in Aid | 1,409,890,554 | | | 1,409,890,554 |
| Head Quarter Projects | 18,652,630 | 1,140,048,126 | | 1,158,700,756 |
| Water and Sanitation Development Project | - | 207,948,603 | 294,948,603 | 502,897,206 |
| TOTAL | 4,312,988,728 | 25,922,186,895 | 14,302,775,320 | 44,537,950,943 |

MINISTRY OF WATER AND SANITATION
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8. ACQUISITION OF ASSETS

| Non Financial Assets | 2019-2020 | 2018-2019 |
|--|----------------------|----------------------|
| | Kshs | Kshs |
| Construction and Civil Works | 4,558,562,930 | 4,886,362,901 |
| Purchase of Specialized Plant, Equipment and Machinery | 310,000 | |
| Total | 4,558,872,930 | 4,886,362,901 |

9A: Bank Accounts

| Name of Bank, Account No. & currency | Indicate whether recurrent, Development, deposit e.t.c | 2019-2020 | 2018-2019 |
|---|---|--------------------|-------------------|
| | | Kshs | Kshs |
| Central Bank of Kenya, 1000384425,KShs | RECURRENT | 224 | 28,871,735 |
| Central Bank of Kenya, 1000384433,KShs | DEVELOPMENT | 18,794 | 1,944,511 |
| Central Bank of Kenya, 1000384441,KShs | DEPOSIT | 292,610,583 | 34,140,982 |
| Total | | 292,629,601 | 64,957,228 |

9B: CASH IN HAND

| | 2019-2020 | 2018-2019 |
|--|------------------|------------------|
| | Kshs | Kshs |
| Cash in Hand – Held in domestic currency | | 894,394 |
| Total | - | 894,394 |

Cash in hand is analysed as follows:

| | 2019-2020 | 2018-2019 |
|---------------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Headquarters, Maji House, Cash office | | 894,394 |
| Total | - | 894,394 |

MINISTRY OF WATER AND SANITATION
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. ACCOUNTS PAYABLE

| Description | 2019-2020 | 2018-2019 |
|--------------|--------------------|-------------------|
| | Kshs | Kshs |
| Deposits | 292,610,582 | 34,140,982 |
| Total | 292,610,582 | 34,140,982 |

11. FUND BALANCE BROUGHT FORWARD

| Description | 2019-2020 | 2018-2019 |
|----------------------|-------------------|--------------------|
| | Kshs | Kshs |
| Bank accounts | 64,957,228 | 253,479,206 |
| Cash in hand | 894,394 | 698,852 |
| Accounts Receivables | - | 2,743,466 |
| Accounts Payables | (34,140,982) | (35,476,750) |
| Total | 31,710,640 | 221,444,774 |

12. PRIOR YEAR ADJUSTMENTS

| Description of the error | Balance b/f FY 2018/2019 as per Financial statements | Adjustments | Adjusted Balance b/f FY 2018/2019 |
|--------------------------|---|---------------------|---|
| | Kshs | Kshs | Kshs |
| Bank account Balances | 64,957,228 | (30,816,246) | 34,140,982 |
| Cash in hand | 894,394 | (894,394) | - |
| Accounts Payables | (34,140,982) | - | (34,140,982) |
| Receivables | - | - | - |
| | 31,710,639 | (31,710,640) | - |

MINISTRY OF WATER AND SANITATION
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

| | 2019 - 2020 | 2018 - 2019 |
|---|--------------------|-------------------|
| Description | Kshs | Kshs |
| Deposit and Retentions as at 1st July 2019 (A) | 34,140,982 | - |
| Deposit and Retentions held during the year (B) | 258,469,600 | 35,610,982 |
| Deposit and Retentions paid during the Year (C) | - | 1,470,000 |
| Net changes in account receivables D= A+B-C | 292,610,582 | 34,140,982 |

14. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the Ministry of Water and Sanitation

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and State Corporations and Semi Autonomous Government Agencies.

Related party transactions:

| Description | 2019- 2020 | 2018- 2019 |
|---|-----------------------|-----------------------|
| | Kshs | Kshs |
| Transfers to related parties | | |
| Transfers to SCs and SAGAs | 44,537,950,942 | 27,501,227,464 |
| Total Transfers to related parties | 44,537,950,942 | 27,501,227,464 |
| Transfers from related parties | | |
| Transfers from the Exchequer | 29,931,554,744 | 17,833,419,829 |
| Total Transfers from related parties | 29,931,554,744 | 17,833,419,829 |

MINISTRY OF WATER AND SANITATION
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. OTHER IMPORTANT DISCLOSURES

15.1: PENDING ACCOUNTS PAYABLE (See Annex 1)

| | Balance b/f FY 2018/2019 | Additions for the period | Paid during the year | Balance c/f FY 2019/2020 |
|-----------------|-----------------------------|-----------------------------|-------------------------|-----------------------------|
| Description | Kshs | Kshs | Kshs | Kshs |
| Supply of goods | 56,362,558 | 7,499,700.00 | 21,705,019 | 42,157,239.00 |
| Total | 56,362,558 | 7,499,700.00 | 21,705,019 | 42,157,239.00 |

15.2: OTHER PENDING PAYABLES (See Annex 3)

| | 2019-2020 Kshs | 2018-2019 Kshs |
|------------------------------|--------------------|-------------------|
| Amounts due to third parties | 292,610,582 | 34,140,982 |
| TOTAL | 292,610,582 | 34,140,982 |

MINISTRY OF WATER AND SANITATION
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16. PROGRESS ON FOLLOW UP OF PRIOR YEARS 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) |
|--|--|-------------------------------------|--|-----------------------------------|--|
| 1 | <p>Unconfirmed Direct Payments</p> <p>The statement of receipts and payments reflects transfers to other government units amounting to Kshs. 27,501,227,464 which as disclosed in Note 7 to the financial statements includes direct payments totaling Kshs. 9,702,013,707 made on behalf of various self-reporting entities. However, corresponding confirmations of the payments by the beneficiary institutions were not provided for audit verification.</p> <p>In the absence of the confirmations, it has not been possible to ascertain the completeness and accuracy of the reported direct payments figure of Kshs. 9,702,013,707.</p> | Direct payments have been confirmed | Head of accounting Unit | Resolved | |
| 2 | <p>Variances Between Financial Statements and Confirmations from Other Government Agencies</p> <p>Comparison of balances reported in the financial statements under transfers to other</p> | Variances have been reconciled | Head of accounting Unit | Resolved | |

MINISTRY OF WATER AND SANITATION

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|--|-----------------------------------|--|
| 3 | <p>government agencies and acquisition of assets, and related confirmations from the respective agencies revealed unreconciled variances</p> <p>Budgetary Performance</p> <p>The summary statement of appropriation-recurrent and development combined reflects total budgeted receipts of Kshs.41,116,122,141 against actual receipts of Kshs.33,304,530,482 resulting into underfunding of Kshs.7,807,560,691 or 19%. Similarly, out of the budgeted expenditure of Kshs.41,116,122,141, the Ministry spent Kshs.33,272,819,842 resulting into a budgetary expenditure deficit of Kshs.7,843,302,299 or 19%. Management has attributed the underutilization to lack of Exchequer releases from The National Treasury and lengthy procurement process.</p> <p>Consequently, the Ministry may not have implemented all planned activities and this may have negatively impacted service delivery to the public.</p> | <p>Under performance of budget was mainly due to under provision of exchequer</p> | The National Treasury | Unresolved | 30.06.2021 |
| 4 | <p>Pending Bills</p> <p>Note 16.1 to the financial statements reflects pending bills amounting to Kshs. 56,362,558. The bills were not paid during the year but were</p> | <p>Pending bills were due to lack of budget provision .</p> | Chief Finance officer | Unresolved | 30.06.2021 |

MINISTRY OF WATER AND SANITATION

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For the year ended June 30, 2020

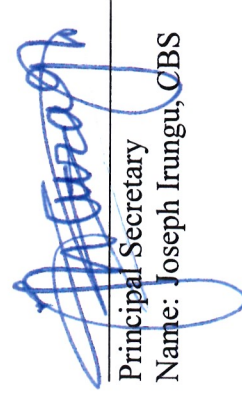
| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|--|-----------------------------------|--|
| | <p>instead carried forward to 2019/2020 financial year. Failure to settle bills in the year to which they relate adversely affects the subsequent year's provisions since the bills form the first charge to that year's budget provisions.</p> | | | | |
| 5 | <p>Delayed Completion of Ground Water Mapping and Assessment Project for Wajir County The Ministry engaged a local consulting firm to provide ground water mapping and assessment services for Wajir County at a cost of Kshs. 85,205,000. The contract was signed on 6 April, 2018 and the expected completion date was 6 April, 2019 which was later extended to 5 October, 2019. However, as at the time of audit, the project had not been completed. The delayed completion of the project has denied the Ministry the benefits envisaged under the contract and could also lead to cost overruns.</p> | <p>Project was completed without any cost overrun</p> | <p>Director water Resources</p> | <p>Resolved</p> | |
| 6 | <p>Poor Management of Vehicles for Water Tribunal Review of the documents availed for audit by the Water Tribunal revealed that the Tribunal had been assigned eight (8) vehicles. However, the audit revealed that only four (4) vehicles were with the Tribunal in the year under</p> | <p>Vehicles allocated to Water Tribunal are managed from the ministry and thus no handing over is required. All reports have</p> | <p>Secretary administration</p> | <p>Resolved</p> | |

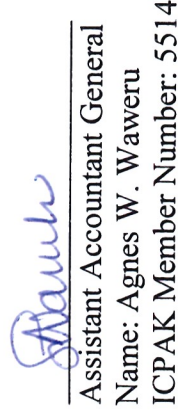
MINISTRY OF WATER AND SANITATION

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved/ Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|--|----------------------------------|--|
| | <p>review. Although Management explained that two (2) vehicles were transferred to the Ministry while two (2) vehicles were grounded after being involved in accidents, reports of handing over of the vehicles to the Ministry and the accident reports for the grounded vehicles were not provided for audit verification. Further, no evidence of insurance of the six (6) vehicles registered in the name of the Tribunal or evidence of compensation received for the two grounded accident vehicles was provided.</p> <p>Under the circumstances, effectiveness in the management of the Tribunal's vehicles could not be confirmed.</p> | <p>been provided and all vehicles insured</p> | | | |


 Principal Secretary
 Name: Joseph Irungu, CBS


 Assistant Accountant General
 Name: Agnes W. Waweru
 ICPAK Member Number: 5514

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

| SUPPLIER OF GOODS/SERVICES | ORIGINAL AMOUNT | DATE CONTRACTED | AMOUNT PAID TO DATE | OUTSTANDING BALANCE AS AT 30TH JUNE 2020 | COMMENTS |
|-----------------------------------|------------------------|------------------------|----------------------------|---|-----------------|
| Mediluck Coy Ltd | 1,131,500.00 | | - | 1,131,500.00 | Tax Issues |
| Joychepts enterprises Ltd | 444,500.00 | 19-Mar-20 | - | 444,500.00 | Tax Issues |
| Dew Business Solutions | 869,184.00 | | - | 869,184.00 | Lack of funding |
| Parwen Contractors Ltd | 1,565,000.00 | | - | 1,565,000.00 | Lack of funding |
| Trinical General Suppliers | 861,900.00 | | - | 861,900.00 | Lack of funding |
| Navical Venturers Limited | 964,800.00 | | - | 964,800.00 | Lack of funding |
| Wieland General Enterprises Ltd | 1,917,000.00 | | - | 1,917,000.00 | Lack of funding |
| Historical pending bills | 34,403,355.00 | | | 34,403,355.00 | |
| TOTAL | 42,157,239.00 | | | 42,157,239.00 | |

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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

| Asset class | Historical Cost b/f (Kshs) 2018/2019 | Additions during the year (Kshs) | Disposals during the year (Kshs) | Transfers in/(out) during the year | Historical Cost c/f (Kshs) 2019/2020 |
|-------------------------------|---|--|--|---------------------------------------|---|
| Buildings and structures | 4,866,362,901 | 4,558,562,930 | - | - | 9,424,925,831 |
| Transport equipment | 534,270 | 0.0 | - | - | 534,270 |
| Other Machinery and Equipment | 2,535,700 | 310,000 | - | - | 2,845,700 |
| Total | 4,889,432,871 | 4,558,872,930, | | | 9,428,305,801 |

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ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE MINISTRY OF WATER AND SANITATION

| Ref | Project Name | Principal activity of the project | Accounting Officer | Project consolidated in these financial statements (yes/no) |
|-----|---|--|--------------------|---|
| 1 | KENYA WATER SECURITY AND CLIMATE RESILIENCE PROJECT | Dam construction | PROJECT MANAGER | NO |
| 2 | UPPER TANA NATURAL RESOURCES MANAGEMENT PROJECT | Natural resource management | PROJECT MANAGER | NO |
| 3. | COAST REGION WATER SECURITY AND CLIMATE RESILIENCE | Dam Construction | PROJECT MANAGER | NO |
| 4 | THWAKE MULTIPURPOSE PROJECT | Dam Construction | PROJECT MANAGER | NO |
| 5. | WATER SECTOR DEVELOPMENT PROJECT (WSDP) | Improvement of Water Supply and Sanitation | PROJECT MANAGER | NO |

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ANNEX 4 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE MINISTRY OF WATER AND SANITATION

| Ref | SC, SAGA or Public Fund's name | Principal activity of entity | Accounting Officer | Amount transferred during the year | Inter- entity reconciliations done/(yes/no) |
|-----|---|------------------------------|--------------------|------------------------------------|---|
| 1 | Lake Victoria South Water Works Development Agency | | CEO | 1,527,082,919 | YES |
| 2 | Tanathi Water Works Development agency | | CEO | 1,516,024,262 | YES |
| 3 | Water Resource Authority | | CEO | 582,999,998 | YES |
| 4 | Athi Water Works Development agency | | CEO | 16,223,813,065 | YES |
| 5 | Northern Water Works Development agency | | CEO | 1,295,250,000 | YES |
| 6 | Central Rift Valley Water Works Development agency | | CEO | 4,308,698,831 | YES |
| 7 | Water Sector Trust Fund | | CEO | 2,068,300,613 | YES |
| 8 | Upper Tana Catchment Natural Resources Management Project | | PROJECT MANAGER | 629,050,821 | YES |
| 9 | Kenya Water Security and Climate Resilience Project | | PROJECT MANAGER | 2,891,773,892 | YES |
| 10 | National Water Conservation Pipeline Corporation | | CEO | 2,109,485,829 | YES |
| 11 | Kenya Water Institute | | CEO | 303,212,708 | YES |
| 13 | Coast Water Works Development agency | | CEO | 1,209,731,001 | YES |
| 14 | Tana Water Works Development agency | | CEO | 3,417,182,041 | YES |
| 15 | Lake Victoria North Water Works Development agency | | CEO | 778,565,108 | YES |
| 16 | Regional Centre on Ground Water Resource Education and Research | | DIRECTOR | 45,000,000 | YES |
| 17 | Coastal Region Water Security and Climate Resilience Project | | PROJECT MANAGER | 2,560,291,339 | YES |
| 18 | Water Sector Development Programme | | PROJECT MANAGER | 502,897,206 | YES |
| | | | | 41,969,359,633 | |

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ANNEX 5- LIST OF BANK ACCOUNTS

| ENTITY | BANK | BRANCH | A/C NUMBER |
|---|-------------|----------------|-------------------|
| Ministry of Water and Sanitation -Recurrent | CBK | Haille Selasie | 1000384425 |
| Ministry of Water and Sanitation –Development | CBK | Haille Selasie | 1000384433 |
| Ministry of Water and Sanitation -Deposit | CBK | Haille Selasie | 1000384441 |
| Coast Region Water Security and Climate Resilience | CBK | Haille Selasie | 1000457217 |
| Water Sector Development Project (WSDP) | CBK | Haille Selasie | 1000457201 |
| Kenya Water Security and Climate Resilience Project | NCBA | KMA | 1000591738 |
| Upper Tana Natural Resources Management Project-IFAD | CO-OP | Embu | 0114140809700 |
| Upper Tana Natural Resources Management Project-SPANISH | CO-OP | Embu | 0114140809800 |
| Thwake Multipurpose Project | EQUITY | Kitui | 0720262733899 |

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ANNEX 6-REPORTS GENERATED FROM IFMIS

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK IFMIS Comparison Trial Balance
- ii. FO30 (Bank reconciliations) for all bank accounts
- iii. GOK IFMIS Receipts and Payments Statement
- iv. GOK IFMIS Statement of Financial Position
- v. GOK IFMIS Statement of Cash Flows
- vi. GOK IFMIS Notes to the Financial Statements
- vii. GOK IFMIS Statement of Budget Execution
- viii. GOK IFMIS Statement of Deposits
- ix. GOK IFMIS Budget Execution by Programme and Economic Classification
- x. GOK IFMIS Budget Execution by Heads and Programmes
- xi. GOK IFMIS Budget Execution by Programmes and Sub-programmes