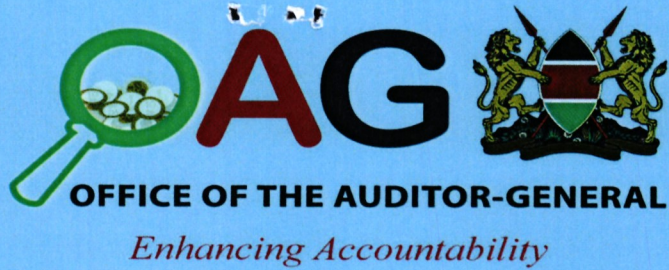


REPUBLIC OF KENYA



**REPORT**

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**OF**

**THE AUDITOR-GENERAL**

**ON**

**KISII WATER SUPPLY AND SANITATION  
PROJECT (GRANT NO. ORIO11/KE/21)**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

**LAKE VICTORIA SOUTH WATER WORKS  
DEVELOPMENT AGENCY**



**Project Name: KISII WATER SUPPLY AND SANITATION PROJECT**

**Implementing Entity: LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

**PROJECT CREDIT NUMBER ORIO11/KE/21**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2021**

---

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

**KISII WATER SUPPLY AND SANITATION PROJECT**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

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## KISII WATER SUPPLY AND SANITATION PROJECT

### Reports and Financial Statements for the financial year ended June 30, 2021

#### 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

##### 1.1 Name and registered office

**Name:** The project's official name is Kisii and Nyamira Water Supply and Sanitation Project

**Objective:** The key objective of the project is,

1. Water security. Adequate clean water supply to 576,000 people in Kisii town, Nyamira town and Bonyunyu area residents
2. Sanitation and Health. Adequate sanitation to 150,000 people in Kisii and Nyamira town.
3. Economic Empowerment. Over 1000 jobs are expected to be created directly and 10,000 indirectly

**Address:** Lake Victoria South Water Works Development Agency

Lavictors House

Off Ring Road, Milimani

P. O. Box 3325 Kisumu

Kenya

Telephone: (254) 057 2025127

E-mail: [info@lvswwda.go.ke](mailto:info@lvswwda.go.ke)

Website: [www.lvswwda.go.ke](http://www.lvswwda.go.ke)

##### 1.2 Project Information

|                     |   |
|---------------------|---|
| Project Start Date: | The Program start date is 18/02/2014  |
| Project End Date:   | The Program end date is 28/09/2023.   |
| Project Manager:    | The Program Manager is the CEO  |
| Project Sponsor:    | The Program sponsor/Development Partner is RVO of Netherlands & Government of Kenya |

**KISII WATER SUPPLY AND SANITATION PROJECT**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.3 Project Overview**

|  |   |
|--|---|
| Line Ministry/State Department of the project              | The Program is under the supervision of the Ministry of Water and Sanitation and Irrigation.  |
| Program number   | ORIO11/KE/21  |
| Strategic goals of the Program                             | (i) To provide water, sanitation and health, electricity generation and economic empowerment  |
| Achievement of strategic goals                             | The Project management aims to achieve the goals through the following means:<br>(i) Establish affordable & self-sustaining water supply & waste utilities from Kisii & Nyamira town.<br>(ii) Attract investments in water & sanitation dependent industries.eg hospitality.<br>(iii) Increase the development of fisheries through use of the reservoir for fishing. |
| Other important background information of the Program      | The project aims at providing sufficient, hygiene, economically viable and affordable water to 485,000 people'  |
| Current situation that the project was formed to intervene | The Program was formed to intervene in the following areas:<br>(i) To provide water, health and sanitation and economic empowerment<br>(ii) To provide electricity generations and sustainable county water utility.  |
| Program duration   | The project started on 18th February 2014 and is expected to run until 28/ 09/2023  |

**1.4 Bankers**

The following are the bankers for the current year:

The RVO Netherlands financier is the bankers for the current year.

**1.5 Auditors**

The Auditor General  
 Office of the Auditor General  
 P. O. Box 30084 -00100  
 Nairobi

## KISII WATER SUPPLY AND SANITATION PROJECT

### Reports and Financial Statements for the financial year ended June 30, 2021

#### PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

##### 1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

| Names                 | Title designation             | Responsibilities   |
|-----------------------|-------------------------------|--|
| Mr. Chrispine O. Juma | Ag. Chief Executive Officer   | Overall responsibility for the organisation                                    |
| Paul O. Agwanda       | Project Coordinator           | Supervisory responsibility for the project                                     |
| Rosemary Chelangat    | Accountant                    | Responsible for all the accounting functions for the project.                  |
| Diana Adhiambo        | Community Development Officer | Responsible for all the matters touching on the community on the project areas |

##### 1.7 Funding summary

The Project is for duration from 2014 to 2023 with an approved budget of 551,475 Euros equivalent to KShs. 66Million. GOK was to contribute fifty percent of the developmental cost of the projects, any other incidental costs considered to be necessary but not considered as the Government's contribution to the funding part of the funding as highlighted in the table below:

**KISII WATER SUPPLY AND SANITATION PROJECT  
Reports and Financial Statements for the financial year ended June 30, 2021**

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

Below is the funding summary:

**A. Source of Funds**

|                               |                |                   |                |                    |               |                  |  |  |
|-------------------------------|----------------|-------------------|----------------|--------------------|---------------|------------------|--|--|
| <b>(i) Grant</b>              |                |                   |                |                    |               |                  |  |  |
| Orio                          | 275,738        | 33,051,501        | 265,738        | 24,648,912         | 10,000        | 1,198,656        |  |  |
| <b>(ii) Counterpart funds</b> |                |                   |                |                    |               |                  |  |  |
| Government of Kenya           | 275,738        | 33,051,501        | 633,090        | 75,885,744         | 0             | 0                |  |  |
| <b>Total</b>                  | <b>551,476</b> | <b>66,103,002</b> | <b>898,828</b> | <b>100,534,656</b> | <b>10,000</b> | <b>1,198,656</b> |  |  |

## PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

## B. Application of Funds

| Application of funds   | Amount received to date – (30 <sup>th</sup> June 2021) |                    | Cumulative Amount paid to date – (30 <sup>th</sup> June 2021) | Unutilized balance to date (30 mm 2021) |                   |
|------------------------|--|--------------------|---|---|-------------------|
|                        | Donor currency (UA)<br>(A)                             | Kshs<br>(A')       |   | Donor currency<br>(A)-(B)               | Kshs<br>(A')-(B') |
| (i) Grant              |  |                    |   |   |                   |
| African Bank           | 265,738  | 24,648,912         | 24,648,912  | -                                       | -                 |
| (ii) Counterpart funds |  |                    |   |   |                   |
| Government of Kenya    | 633,090  | 75,885,744         | 75,885,744  | -                                       | -                 |
| <b>Total</b>           | <b>898,828</b>   | <b>100,534,656</b> | <b>100,534,656</b>  | <b>-</b>                                | <b>-</b>          |

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8 Summary of Overall Project Performance:**

- i) The project feasibility study was completed and development phase which includes hydrological studies, topographical survey has been done. The resettlement action plan is under development.

**1.9 Summary of Project Compliance:**

- i) There are no-compliance issues with applicable laws and regulations and essential external financing agreements/covenants that are in the project.

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

### **Introduction**

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

The key development objectives of the project's 2014-2023 plan are to:

- (i) To provide water, sanitation and health, electricity generation and economic empowerment
- (ii) Establish affordable & self-sustaining water supply & waste utilities from Kisii & Nyamira town.
- (iii) Attract investments in water & sanitation dependent industries.eg hospitality.
- (iv) Increase the development of fisheries through use of the reservoir for fishing.

### **Progress on attainment of Strategic development objectives**

The project is awaiting the Development phase and so have the strategic objectives are still in progress to be attained.

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

Lake Victoria South Water Works Development Agency exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on five pillars which involve putting the Citizen first, delivering relevant goods and services, and improving operational excellence. The five pillars are as below:

- I. Increase water services coverage from 53% to 80% by 2022.
- II. Increase sanitation coverage from 17% to 43% by 2022.
- III. Enhance financial strength by realizing annual revenue of Kshs. 9 Billion
- IV. Strengthen Institutional Capacity by 20% by 2022
- V. Strengthen 8 Number Water Service Providers and respective Water Departments of the 8 County governments by 2022.

During the financial year the Agency provided water tanks and hand washing equipment to various institutions within all the counties under the jurisdiction of the Agency to help mitigate the effects of covid 19 .

#### **1.Sustainability strategy and profile-**

In performing her mandate, LVSWWDA is committed to perform ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. LVWWDA undertakes to conduct business in a way which will achieve sustainable growth, in line with legal and moral obligations. We aim to achieve our business objectives in a caring and responsible manner taking into account economic, social and environmental impacts. In light of this, LVWWDA has conducted various CSR projects under the different projects we are implementing.

#### **2. Environmental performance**

The Agency is operating as per the NEMA provisions of the EMCA 1999, and Environmental (Impact Assessment and Audit) Regulations 2003 as well as other environmental regulations (statutory requirements). The Agency therefore conducts environmental and social impact assessment for all its projects to ensure compliance with the regulations. The Projects were licenced by NEMA before constructions commences and regular monitoring is done during construction to ensure compliance and protection of the environment. Catchment management activities are incorporated in the projects. The Agency has an environmentalist who is a Project Implementation Team member for all the projects.

### 3. Employee welfare

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

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

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

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

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

#### **4. Market place practices-**

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

LVSWWDA has always maintained an effective feedback mechanism by holding an annual supplier meeting to get feedback from suppliers and contractors. Any concerns raised during the forum are adequately addresses.

All engagements between LVSWWDA and suppliers and/or contractors take the form of purchase orders and contracts which are signed by both parties and they clearly enumerate responsibilities and obligations of either party. The payment schedules also form part of the contracts and they are strictly adhered to during the contract period. LVSWWDA encourages public participation and also clearance by relevant Govt agencies to ensure consumer rights and interests are not infringed

#### **5. Community Engagements**

The Agency through the project has undertaken various CSR activities in its area of jurisdiction. Notably, the Agency has constructed two VIP latrine blocks in both Nyanguru and Bobaracho Primary Schools in Kisii County. The sanitation blocks were constructed in 2019 to alleviate the sanitation challenges facing the school populations.

**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive Officer of Lake Victoria South Water Works Development Agency (The Agency), which is the implementing Agency (IA) of the project under the Ministry of Water & Irrigation and the Program Coordinator for ORIO funded Projects are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer of the Agency and the Program Coordinator for Kisii Water and Sanitation project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer of the Agency and the Program Coordinator for Kisii Water and Sanitation project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer of the Agency and the Project Coordinator for Kisii Water and Sanitation project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The Chief Executive Officer of the Agency and the Program Coordinator for Kisii Water and Sanitation project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by The Chief Executive Officer of the Agency and the Program Coordinator for Kisii Water and Sanitation project on 30/09/2021 2021 and signed by them.



**Ag. Chief Executive Officer  
Mr. Chrispine O. Juma**



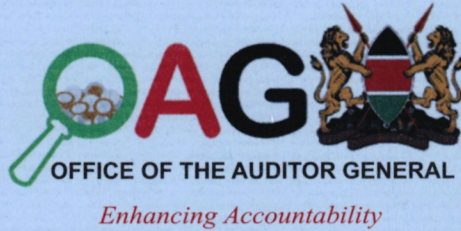
**Program Engineer  
Mr. Paul O. Agwanda**



**Program Accountant  
Rosemary Chelangat  
ICPAK MNo: 6361**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KISII WATER SUPPLY AND SANITATION PROJECT (GRANT NO. ORIO11/KE/21) FOR THE YEAR ENDED 30 JUNE, 2021 - LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

---

### PREAMBLE

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

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

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

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

---

*Report of the Auditor-General on Kisii Water Supply and Sanitation Project (Grant No. Orio11/KE/21) for the year ended 30 June, 2021 - Lake Victoria South Water Works Development Agency*

## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of Kisii Water Supply and Sanitation Project - ORIO11/KE/21 set out on pages 14 to 27, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015 and Credit Agreement No. ORIO11/KE/21 dated 3 February, 2014 between the Government of Kenya and the Government of Netherlands. 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 Kisii Water Supply and Sanitation Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Financing Agreement between Republic of Kenya and the Government of Netherlands dated 3 February, 2014.

### Basis for Qualified Opinion

#### 1. Unsupported Fund Balance

The statement of financial assets as at 30 June, 2021 reflects a comparative fund balance of Kshs.14,190,152 which is indicated as having resulted from the reported surplus for the prior year. However, the current year's opening fund balance is reported as nil although there is no documented movement between the closing balance of Kshs.14,190,152 and the nil opening balance. Although the Management has indicated that the balance of Kshs.14,190,152 is available for utilization in the project development implementation phase two, this has neither been reported in the financial statements nor supported by any documentation. Further, the reason for non-inclusion of the balance in the financial statements was not been provided.

Consequently, the accuracy of the statement of financial assets and liabilities as at 30 June, 2021 cannot be confirmed.

#### 2. Cash and Cash Equivalents - Unsupported Cash Movement

The statement of financial assets reflects nil cash balance as at 30 June, 2021 and a comparative balance of Kshs.14,190,152 as at 30 June, 2020. However, the management did not explain how the balance of Kshs.14,190,152 was expended given that the Project

did not record any receipts or payments during the year ended 30 June, 2021. Under the circumstances, the accuracy of financial statements as at 30 June, 2021 could not be confirmed.

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

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

#### **Budget Performance**

The statement of comparative budget and actual amounts reflects nil budget and nil actuals. Although it has been explained that the project was not funded during the year as the implementation is still under financial proposal progress and sourcing of external financiers, no further information was provided on what the project was to achieve during the year under review as no workplans were provided for audit review. In addition, the Management has not indicated how the project is to be funded, the initial financier having declined to fund the project due to what was indicated as increased scope of the project to include Nyamira network, and price escalation.

Consequently, the project did not deliver any benefits to the intended beneficiaries.

### **Other Information**

The Management are responsible for the other information, which comprises the project information and overall performance, statement of performance against project's predetermined objectives, statement of corporate social responsibility and the statement of Project Management responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

# 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 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. Absence of Project Cashbook and Bank Account**

As reported in the previous year, during the year under review the Management did not maintain a cashbook and a separate bank account for the Project as required of them by Clause 11 of the Grant Agreement. Instead, receipts and payments in respect to the Project were recorded and accounted for in the main cashbook and bank account of the implementing entity contrary to Section 68(2) of the Public Finance Management Act, 2012 which requires Accounting Officers to maintain proper financial and accounting records.

### **2. Delay in Project Implementation**

As previously reported, a feasibility study report submitted to Infrastructure Development Facility (ORIO) on 29 October, 2018, indicated that the cost of the proposed Bunyunyu Dam Water Project increased to Euro.90,000,000 equivalent to Kshs.11.9 billion from its original cost estimated at Euro.551,475,000 equivalent to Kshs.66 billion. The increased cost resulted from change in the project's scope, mainly caused by addition of works in Nyamira County, and the estimated increase in price indices between 2011 to 2019. After the original financier declined to fund the additional costs, identification of a new financier commenced in February, 2019. However, Management did not confirm whether this was successful. Expenditure records indicated that the Project had as at 30 June, 2021 spent Kshs.86,344,504 on feasibility studies.

Failure of the Project to translate from the development to the implementation stage has put it at risk of not being implemented as planned that could see its objectives not being attained.

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, 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 with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **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 that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing Project's ability to continue to sustain 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 Project or to cease operations.

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**23 December, 2021**

KISII WATER SUPPLY AND SANITATION PROJECT

Reports and Financial Statements for the financial year ended June 30, 2021

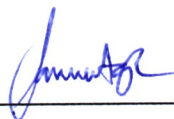
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021.

|   | No<br>te | 2020/2021   |  |       | 2019/2020   |  |                   | Cumulative<br>to-date<br>(From<br>inception) |
|---|----------|---|--|-------|---|--|-------------------|--|
|   |          | Receipts<br>and<br>payments<br>controlled<br>by the<br>entity | Payme<br>nts made<br>by third<br>parties | Total | Receipt<br>s and<br>payment<br>controlled<br>by the<br>entity | Payme<br>nts made<br>by third<br>parties | Total             |  |
|   |          | KShs  | KShs                                     |       | KShs  | KShs                                     |                   |  |
| <b>RECEIPTS</b>                                 |          |   |  |       |   |  |                   |  |
| Transfer from<br>Government<br>entities         | 1        | -   | -  | -     | 20,000,000  | -  | 20,000,000        | 75,885,744                                   |
| Proceeds from<br>domestic and<br>foreign grants | 2        | -   | -  | -     | -   | -  | -                 | 24,648,912                                   |
| <b>TOTAL<br/>RECEIPTS</b>                       |          | -   | -  | -     | <b>20,000,000</b>   | -  | <b>20,000,000</b> | <b>100,534,656</b>                           |
| <b>PAYMENTS</b>                                 |          |   |  |       |   |  |                   |  |
| Purchase of<br>goods and<br>services            | 3        | -   | -  | -     | -   | -  | -                 | 49,297,823                                   |
| Other<br>payments                               | 4        | -   | -  | -     | 5,809,848   | -  | 5,809,848         | 37,046,681                                   |
| <b>TOTAL<br/>PAYMENTS</b>                       |          | -   | -  | -     | <b>5,809,848</b>  | -  | <b>5,809,848</b>  | <b>86,344,504</b>                            |
| <b>SURPLUS/<br/>(DEFICIT)</b>                   |          | -   | -  | -     | <b>14,190,152</b>   | -  | <b>14,190,152</b> | <b>14,190,152</b>                            |

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



Ag. Chief Executive Officer  
Mr. Crispine O. Juma



Program Engineer  
Mr. Paul O. Agwanda



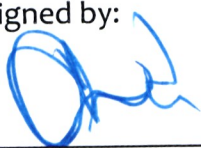
Program Accountant  
Rosemary Chelangat  
ICPAK MNo: 6361

**KISII WATER SUPPLY AND SANITATION PROJECT**  
**Reports and Financial Statements for the financial year ended June 30, 2021**

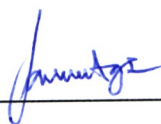
**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021**

|  | Note | 2020-2021 | 2019-2020         |
|--|------|-----------|-------------------|
|  |      | KShs      | KShs              |
| <b>FINANCIAL ASSETS</b>                |      |           |                   |
| <b>Cash and Cash Equivalents</b>       |      |           |                   |
| Fund balance                           |      | -         | 14,190,152        |
| Cash Balances                          |      | -         | -                 |
| Cash Equivalents (short-term deposits) |      | -         | -                 |
| <b>Total Cash and Cash Equivalents</b> |      | -         | <b>14,190,152</b> |
| Accounts Receivables                   |      | -         | -                 |
| <b>TOTAL FINANCIAL ASSETS</b>          |      | -         | -                 |
| <b>FINANCIAL LIABILITIES</b>           |      |           |                   |
| Payables- Deposits and Retentions      |      | -         | -                 |
| <b>NET ASSETS</b>                      |      | -         | -                 |
| <b>REPRESENTED BY</b>                  |      |           |                   |
| Fund balance b/fwd                     |      | -         | 14,190,152        |
| Prior year adjustments                 |      | -         | -                 |
| Surplus/(Deficit) for the year         |      | -         | -                 |
| <b>NET FINANCIAL POSITION</b>          |      | -         | <b>14,190,152</b> |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/06/21 2021 and signed by:



Ag. Chief Executive Officer  
**Mr. Chrispine O. Juma**



Program Engineer  
**Mr. Paul O. Agwanda**



Program Accountant  
**Rosemary Chelangat**  
 ICPAK MNo: 6361

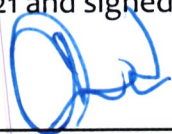
KISII WATER SUPPLY AND SANITATION PROJECT

Reports and Financial Statements for the financial year ended June 30, 2021

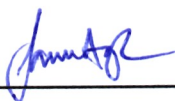
8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021

|  |      | 2020-2021 | 2019-2020          |
|--|------|-----------|--------------------|
|  | Note | KShs      | KShs               |
| <b>CASHFLOW FROM OPERATING ACTIVITIES</b>                |      |           |                    |
| Receipts from operating activities                       |      |           |                    |
| Transfer from Government entities                        |      | -         | 20,000,000         |
| <b>Payments from operating activities</b>                |      | <u>-</u>  | <u>20,000,000</u>  |
| Purchase of goods and services                           | 3    | -         | -                  |
| Other Payments   | 4    |           | (5,809,848)        |
|  |      | <u>-</u>  | <u>(5,809,848)</u> |
| <b>Net cash flow from operating activities</b>           |      | <u>-</u>  | <u>14,190,152</u>  |
| <b>CASHFLOW FROM INVESTING ACTIVITIES</b>                |      |           |                    |
| Acquisition of Assets                                    |      | -         | -                  |
| <b>Net cash flows from Investing Activities</b>          |      |           |                    |
| <b>CASHFLOW FROM BORROWING ACTIVITIES</b>                |      |           |                    |
| Proceeds from domestic and foreign grants                |      | -         | -                  |
| <b>Net cash flow from financing activities</b>           |      | <u>-</u>  | <u>-</u>           |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>         |      | -         | 14,190,152         |
| <b>Cash and cash equivalent at BEGINNING of the year</b> |      | 0         | 0                  |
| <b>Cash and cash equivalent at END of the year</b>       |      |           | 14,190,152         |

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 30/09/2021 2021 and signed by



Ag. Chief Executive Officer  
Mr. Crispine O. Juma



Program Engineer  
Mr. Paul O. Agwanda




Program Accountant  
Rosemary Chelangat  
ICPAK MNo: 6361

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

| Receipts/Payments Item                    | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % Utilization | of |
|---|-----------------|-------------|--------------|----------------------------|-------------------------------|---------------|----|
|   | a               | b           | c=a+b        | d                          | e=c-d                         | f=d/c %       |    |
| <b>Receipts</b>                           |                 |             |              |                            |                               |               |    |
| Transfer from Government                  | -               | -           | -            | -                          | -                             |               | 0% |
| Proceeds from domestic and foreign grants | -               | -           | -            | -                          | -                             |               | 0% |
| <b>Total Receipts</b>                     | -               | -           | -            | -                          | -                             |               |    |
| <b>Payments</b>                           |                 |             |              |                            |                               |               |    |
| Purchase of services                      |                 |             |              |                            |                               |               |    |
| Project Management Cost                   |                 |             |              |                            |                               |               |    |
| <b>Total Payments</b>                     | -               | -           | -            | -                          | -                             |               |    |

Note: The project was not funded this financial year since the next phase of implementation is still under financial proposal progress and sourcing of external financiers.

  
 Ag. Chief Executive Officer

Mr. Christpine O. Juma

  
 Program Engineer

Mr. Paul O. Agwanda

  
 Program Accountant

Rosemary Chelangat

ICPAKMNo:6361

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

#### **10.2 Statement of compliance and basis of preparation**

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

### **10.3 Reporting entity**

The financial statements are for the Project Water Sector Development Programme under the Ministry of Water & Sanitation and irrigation. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **10.3.1 Reporting currency**

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

### **10.4 Significant Accounting Policies**

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

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

## **KISII WATER SUPPLY AND SANITATION PROJECT**

### **Reports and Financial Statements for the financial year ended June 30, 2021**

#### **i) Transfers from the Exchequer**

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

#### **Significant Accounting Policies (Continued)**

#### **ii) External Assistance**

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

#### **iii) Other receipts**

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

#### **b) Donations and grants**

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

#### **c) Proceeds from borrowing**

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

#### **d) Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their

## **KISII WATER SUPPLY AND SANITATION PROJECT**

### **Reports and Financial Statements for the financial year ended June 30, 2021**

ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

#### **e) Recognition of payments**

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

#### **Significant Accounting Policies (Continued)**

##### **i) Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid. The project did not employ staff directly.

##### **ii) Use of goods and services**

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

##### **iii) Interest on borrowing**

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

##### **iv) Repayment of borrowing (principal amount)**

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

##### **v) Acquisition of fixed assets**

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

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

### **Significant Accounting Policies (Continued)**

#### **f) In-kind donations**

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

#### **g) Cash and cash equivalents**

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

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

#### **Restriction on cash**

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

#### **h) 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

## KISII WATER SUPPLY AND SANITATION PROJECT

### Reports and Financial Statements for the financial year ended June 30, 2021

financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

#### **Significant Accounting Policies (Continued)**

##### **i)Contingent Liabilities**

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships, The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

##### **j)Contingent Assets**

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately

## **KISII WATER SUPPLY AND SANITATION PROJECT**

### **Reports and Financial Statements for the financial year ended June 30, 2021**

reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

#### **Significant Accounting Policies (Continued)**

##### **k) Pending bills**

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

##### **l) Budget**

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

##### **m) Third party payments**

The project did not have a loan component.

##### **n) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies

## **KISII WATER SUPPLY AND SANITATION PROJECT**

### **Reports and Financial Statements for the financial year ended June 30, 2021**

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

#### **Significant Accounting Policies (Continued)**

##### **o) Comparative figures**

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

##### **p) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

##### **q) 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.

KISII WATER SUPPLY AND SANITATION PROJECT  
 Reports and Financial Statements for the financial year ended June 30, 2021

11. NOTES TO THE FINANCIAL STATEMENTS

1. TRANSFERS FROM GOVERNMENT OF KENYA

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

|  | 2020/21  | 2019/20           | Cumulative        |
|--|----------|-------------------|-------------------|
|  | KShs     | KShs              | to-date           |
| <b>Counterpart funding through Ministry Water &amp; Sanitation</b> |          |                   |                   |
| Counterpart funds for the year received                            | 0        | 20,000,000        | 75,885,744        |
| <b>Total</b>   | <b>0</b> | <b>20,000,000</b> | <b>75,885,744</b> |

2. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2021 we did not received grants from donors:

3. PURCHASE OF GOODS AND SERVICES

|                                 | 2020/2021                           |                                |                | 2019/2020      | Cumulative to-date |
|---------------------------------|-------------------------------------|--------------------------------|----------------|----------------|--------------------|
|                                 | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | Total Payments |                    |
|                                 | KShs                                | KShs                           | KShs           | KShs           | KShs               |
| Purchase of services/Consultant | -                                   | -                              | -              | -              | 49,297,823         |
| <b>Total</b>                    | <b>-</b>                            | <b>-</b>                       | <b>-</b>       | <b>-</b>       | <b>-</b>           |

4. OTHER PAYMENTS

|                         | FY 2020/21                          |                               |                | FY 2019/20       | Cumulative to-date |
|-------------------------|-------------------------------------|-------------------------------|----------------|------------------|--------------------|
|                         | Payments made by the Entity in Cash | Payment made by third parties | Total Payments |                  |                    |
|                         | KShs                                | KShs                          | KShs           |                  | KShs               |
| <b>Services</b>         |                                     |                               |                |                  |                    |
| BAM-International       | 0                                   | 0                             | 0              | 0                | 0                  |
| Program Management cost | -                                   | -                             | -              | 5,809,847        | 37,046,681         |
| <b>Total</b>            | <b>-</b>                            | <b>-</b>                      | <b>-</b>       | <b>5,809,848</b> | <b>37,046,681</b>  |

**KISII WATER SUPPLY AND SANITATION PROJECT****Reports and Financial Statements for the financial year ended June 30, 2021****5. OTHER IMPORTANT DISCLOSURES**

There were no disclosures

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

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

| Ref. No. | Issue / Observations from Auditor                            | Management comments  | Status       | Time frame                 |
|----------|--|--|--------------|----------------------------|
| 1        | Statement of receipts and payments                           | The difference were due to casting errors and was resolved   | Resolved     |                            |
| 2.       | Presentation of financial statements                         | The editing error was rectified and it was an omission on the new statements which are revised every year.   | Resolved     |                            |
| 3        | Absence of Project Cash Book and Bank Account                | The project consultants were receiving third party payments from the Donor directly and the Gok Counterpart was being paid through the development account. This has however been considered as the new projects are being operated independently with the project bank accounts being opened. | Resolved     |                            |
| 4        | Delay in implementation of Bunyunyu Dam Water Supply Project | The funding for the implementation phase is being processed and the same is under the Board and the National Government level.   | Not resolved | 30 <sup>th</sup> June 2022 |

Ag. Chief Executive Officer

Date 30/09/2021

Project Coordinator

Date 30/09/2021

KISII WATER SUPPLY AND SANITATION PROJECT

Reports and Financial Statements for the financial year ended June 30, 2021

12. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

|   | Final Budget | Actual on Comparable Basis | Budget Utilization Difference | % of Utilization | Comments on Variance (below 90% and over 100%) |
|---|--------------|----------------------------|-------------------------------|------------------|--|
|   | a            | b                          | c=a-b                         | d=b/a %          |  |
| <b>Receipts</b>                           |              |                            |                               |                  |  |
| Transfer from Government entities         | 0            | 0                          | 0                             | 0                |  |
| Proceeds from domestic and foreign grants | 0            | 0                          | 0                             | 0                |  |
| <b>Total Receipts</b>                     | <b>0</b>     | <b>0</b>                   | <b>0</b>                      | <b>0</b>         |  |
| <b>Payments</b>                           |              |                            |                               |                  |  |
| Compensation of employees                 | 0            | 0                          | 0                             | 0                |  |
| Purchase of goods and services            | 0            | 0                          | 0                             | 0                |  |
| Other grants and transfers                | 0            | 0                          | 0                             | 0                |  |
| <b>Total payments</b>                     | <b>0</b>     | <b>0</b>                   | <b>0</b>                      | <b>0</b>         |  |