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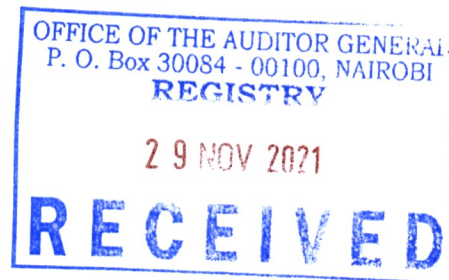
ON

**WATER AND SANITATION SERVICES
IMPROVEMENT PROJECT
(IDA CREDIT NO. 5103 – KE)**

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

**ATHI WATER WORKS DEVELOPMENT
AGENCY**





PROJECT NAME: Water and Sanitation Service Improvement Project –Additional Finance

IMPLEMENTING ENTITY: Athi Water Works Development Agency

PROJECT GRANT/CREDIT NUMBER: IDA 5103-KE

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)

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name

The projects official name is **Water and Sanitation Services Improvement Project Additional Financing**

Objective

The key project development objective is to increase access to water supply and sanitation services by improving the water and wastewater services in the areas served by Athi Water Works Development Agency, Lake Victoria North Water Works Development Agency, and Coast Water Works Development Agency.

Address

The project headquarters offices are in Nairobi, Nairobi County, Kenya

The address of its registered office is;

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

The project doesn't not have other offices or branches.

Contacts

The following are the project contacts;

[Tel:+254 020 2724292/3](tel:+25402027242923), +254 715 688 272

Email: info@awwda.go.ke

Website: www.awwda.go.ke

1.2 Project Information

Project start Date	The program start date is 10/5/2012
Project End Date:	The program end date is 30/6/2020
Project Manager:	The Project Manager is Eng Bonnie Nyandwaro
Project Sponsor:	The program sponsors are the Government of Kenya (GOK), which contributes 7% and the World Bank 93%

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water, Sanitation and Irrigation.
Project number	IDA 5103-KE
Strategic goals of the project	<p>The strategic goals of the project is</p> <ul style="list-style-type: none"> (i) Assisting in the rehabilitation and extension of water supply systems (ii) Development of additional water sources for Nairobi, (iii) Drought mitigation measures, and improvements in wastewater treatment facilities in AWWDA area. (iv) Technical assistance to the AWWDA and its water services providers, the Water Services Regulatory Board (WSRB), and the Water Appeals Board (WAB).
Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p>Water supply/distribution and wastewater collection and treatment</p> <ul style="list-style-type: none"> • Construction of northern collector tunnel (river abstraction/intake structures and 11.8-kilometer tunnel) (US\$85.20 million). Proposed works include construction of the northern collector tunnels (11.8 kilometres), diverting the three rivers of Irati, Gikigie, and Maragua for a flow of 1.6 cubic meters per second as previously designed in 1998; improvement of Mwagu intake structure and screening equipment and construction of Mataara–Ngethu raw water main. • Improvement of water and sanitation in the informal settlements in Nairobi (US\$3.2 million). The informal settlements under consideration for support of water and sanitation schemes under WaSSIP AF include: Kayole Soweto, Matopeni Spring Valley, Mabatini, River Bank, Maili Saba, Huruma, Mathare and Kahawa Soweto. The projects were completed and handed over to the operator NCWSC. • Construction of water reticulation system for Ruiru and Juja (US\$1.7 million). The proposed works include the construction of a water service reservoir with a

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	<p>capacity of 5,000 cubic meters at Ruiru and reinstatement of distribution pipes scaled down from the original WaSSIP.</p> <p>Consultancy Services to AWWDA in specific areas (US\$22.37 million by IDA/AFD)</p> <ul style="list-style-type: none"> • Design, supervision and preparation of environmental impact assessments for indicative projects to be financed under WaSSIP- AF • Other consultancies including, setting up of sewer connections revolving fund, energy audits, customer identification survey, automatic meter reading, and others • Project communication <p>Institutional support (goods and training) for AWWDA and its water services providers (US\$4.64 million)</p> <ul style="list-style-type: none"> • Supply and installation of water and wastewater management equipment (US\$2.96); and purchase of motorcycles for water services providers (US\$210,000). • Supply and installation of office and information and communications technology (US\$380,000). • Training and capacity building for AWWDA and its water service providers (US\$850,000 million) • Project communication materials (US\$300,000). <p>Support to the Water Service Regulatory Board (US\$1.93 million).</p> <p>Support to the Water Appeals Board (US\$1.0 million).</p> <p>Activities under the original Wassip (US\$1.5 million).</p> <p>Implementation of drought mitigation measures (US\$16.5 million)</p>
<p>Other important background information of the project</p>	<p>The WaSSIP-AF project is targeted at investments on rehabilitation and expansion of existing water supply schemes, design and development of bulk water supply systems, planning and development of sanitation infrastructure in each of the jurisdictions of three water service boards (WSBs) - AWSB, CWSB and LVNWSB, and institutional strengthening of the three WSBs, the associated Water Service Providers (WSPs), and capacity building of Water Services Regulatory Board (WSRB) and the Water Appeal Board (WAB). The project was financed up to SDR 192.6 million with Athi Water Services Board receiving SDR 94.1 million.</p>
<p>Current situation that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> • Cross County Water and Sanitation Infrastructure • County Water and Sanitation Infrastructure • Commercial financing for capable Water Service Providers • Improvement of water and sanitation services to marginalized areas • Improvement of water and sanitation services to low-income settlements
<p>Project duration</p>	<p>The project started on 10th May 2012 and was expected to run for 5 years. It however got extended to 30th April 2020 having the final disbursement date as 30th June 2020</p>

1.4 Bankers

The following are the bankers for the current year:

- a) Special deposit account
 CFC Stanbic Bank Kenya
 Account No. 0100000487923

- b) Local project accounts
 Kenya commercial bank
 Account No.1139107380
 Kipande House Branch

1.5 Auditors

The project is audited by Auditor General

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

1.6 Roles and Responsibilities

Name and contact details	Title designation	Qualifications	Responsibilities
Eng. Michael M.Thuita	Chief Executive Officer	B. Sc. MIEK, P. Eng	Accounting Officer
Eng Bonnie Nyandwaro	Program Coordinator	B-Tech-Civil & structural Eng., MTEK, PE	Coordination of the day-to-day activities of the Program.
Michael Kimotho	Finance Management Expert	B. Com, MBA, CPA (K), CISA.	Management of the finance functions of the Program.
Anne Gacheri	Senior Procurement Expert	MSc. Procurement & Logistics -BA-Economics, MCIPS, MKISM	Responsible for the management of the procurement process of goods and services, and safety of the assets.

1.7 Funding summary

The Project is for duration of 8 years from 2012 to 2020 with an approved budget of US\$170,953,429 equivalent to KShs.18,143,016,966 as highlighted in the table below:

Source of funds	Donor Commitment-		Amount received to date – (30 th June 2021)		Undrawn balance to date (30 th June 2021)	
	<i>Donor currency (USD)</i>	<i>Kshs</i>	<i>Donor currency (USD)</i>	<i>Kshs</i>	<i>Donor currency (USD)</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
IDA GRANT	16,789,434	1,788,450,817	16,789,431	1,788,450,524	3	293
IDA Loan	142,227,135	15,150,375,748	142,227,050	15,150,366,747	85	9,001
Government of Kenya Counterpart funds	11,936,860	1,204,190,401	33,934,419	3,614,775,772	(21,997,559)	(2,410,585,371)
Total	170,953,429	18,143,016,966	192,950,900	20,553,593,043	(21,997,471)	(2,410,576,077)

B. Application of funds

Application of funds	Amount received to date – (30 th June 2021)		Cumulative Amount paid to date – (30 th June 2021)		Unutilised balance to date (30 th June 2021)	
	<i>Donor currency(USD)</i>	<i>Kshs</i>	<i>Donor currency(USD)</i>	<i>Kshs</i>	<i>Donor currency(USD)</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
World Bank	16,789,431	1,788,450,524	16,789,431	1,788,450,524	0	0
(i) Loan						
World Bank	142,227,050	15,150,366,747	142,226,928	15,150,353,761	122	12,986
(ii) Counterpart funds						
Government of Kenya	33,934,419	3,614,775,772	33,924,226.16	3,613,690,780.50	10,193	1,084,991
Total	192,950,900	20,553,593,043	192,940,585	20,552,495,066	10,315	1,097,977

1.8 Summary of Overall Project Performance

The project is in the ninth year of implementation and has disbursed USD 192,940,585 which is approximately 100% of the project value. The commitments for the project were valued at 100% of the project value and several projects were completed during the year. Some of these projects include; Tigoni Water Supply, Githinguri Water

Supply, Ruiru Sewerage Network, Muranga Water Supply, Kiambu Water Supply, and boreholes in Tana Athi and Tanathi regions.

The outputs and impacts of most of the project has been realised while the remaining few will be realised ones they are commissioned.

Implementation of the project is generally satisfactory and the project is on track to achieve its objectives. The project has led to a rise in the number of people provided with access to improved water and sewerage services.

Challenges faced during implementation were:

- The long procurement process which required a lot of consultation between AWWDA and the World Bank.
- Unavailability of way leaves and project sites.
- Delay at the Ministry in processing direct payment
- Inadequate counterpart funding

1.9 Summary of Project Compliance:

During the period the project complied with all the relevant laws, regulation and conditions set out in the financing agreement

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 2018-2022 plan are to:

1. Increase access to reliable, affordable, and sustainable water supply and sanitation services;
2. Improve water and wastewater services in the areas served by AWWDA

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement. Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Rehabilitation and expansion of existing Water supply systems	<p>Increase access to reliable, affordable, and sustainable water supply and sanitation services</p> <p>Improve water and wastewater services in the areas served by AWWDA</p>	Increase Coverage of safe water	% of WSP project operational areas with coverage of safe water	<p>People benefiting from the water supply interventions under the project in AWWDA area were 1,295,850 with 330,000 from community water points, 148,533 informal settlements and 287,792 other areas. A total of 529,525 people was benefiting from better services. Construction of NCT is over 70% complete. The project is expected to be completed by 2021 and will additional 140,000M3/d. This will benefit additional 1.2Million people.</p> <p>(Ruiru-Juja hours of supply improved from 20hrs per day to 22</p>

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Project	Objective	Outcome	Indicator	Performance
Rehabilitation and expansion of sewerage networks and sewerage treatment facilities in Nairobi and selected towns, including the informal settlements	<p>Increase access to reliable, affordable, and sustainable water supply and sanitation services</p> <p>Improve water and wastewater services in the areas served by AWWDA</p>	Increase Coverage of safe sewerage or sanitation access	% of WSP project operational areas with coverage of safe sewerage or sanitation access	<p>Under the project, construction and rehabilitation of trunk sewers and reticulation networks in Nairobi region including the informal settlements of Matopeni Spring Valley, Riverbank and Huruma were completed. Some 43,000 connections to the trunk sewers were made directly through the WSPs. 350,100 people currently benefiting.</p> <p>The project also rehabilitated the Dandora Sewerage treatment plant.</p>

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

Sustainability strategy and profile

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

- **Distribution of water tanks;**

AWWDA through the support of the Government of Kenya is addressing the water crisis currently being experienced public schools through supply of branded plastic water tanks. The tanks are 100no. 6,000l water tanks have been distributed to schools within Nairobi, Murang'a and Kiambu counties at a cost of Kshs. 4,988,000.00.

- **Community support activities under Water and Sanitation Improvement project Additional Financing**

AWWDA has undertaken Community Water Supply Projects under the WaSSIP Programme as follows;

1. Ten Number community water supply projects to establish an additional production of 42,000m³ of water per day to serve over 400,000 people in Muranga, Kigumo, Mathioya and Kiharu. The scope of these

- projects entails main water supply, whereby the Individual Connections will be installed by Water Service Providers (WSP)
2. Engineer's Project office and Accommodation were constructed of permanent design and will be handed over to the Community upon completion of the Project
 3. Two four-wheel drive ambulances purchased under the Project will be handed over to the community after completion of the project.
 4. Excavated Spoil material from the Tunnel is being used by the local tea factories for road maintenance. So far, a total of 57,686 Tones has been utilized with a value of approximately Kshs. 90M using delivery rates at site.

Environmental performance

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

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

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

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

AWWDA has a structured way of managing the environmental and social aspects associated with its operations through the existing Environmental and Social Safeguards unit with a total of 10 permanent staff. Pollution prevention, regulatory compliance, stakeholder engagement, public consultation and continual improvement are the key elements which underpins AWWDA environmental sustainability.

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

**Water And Sanitation Service Improvement Project-Additional financing (IDA 5103-KE)
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AWWDA environmental sustainability is guided by the Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya; and the Constitution of Kenya, 2010. Other legislation related to natural resources such as Water Act, forest Act, Land planning Act, National land policy etc. as well as the Occupational Health and Safety Act, 2010 are also used as guidelines. AWWDA also complies with the other environmental requirements of International Development Funding agencies such as World Bank, Africa Development Bank, French Development Bank among others.

Table 1: Environmental and Social Safeguards

IDF	Environment Safeguards Instruments	Description of safeguards
African Development Bank	Operational Safeguards (OS)	OS 1: Environmental and Social Assessment. OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation. OS 3: Biodiversity and Ecosystem Services. OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency. OS 5: Labour Conditions, Health and Safety.
World Bank	Environmental and Social operational policies (OP)	OP4.01: Environmental Assessment OP4.36: Forestry OP 4.04: Natural Habitats OP4.12: Involuntary Resettlement OP 4.11: Physical Cultural Resources OP 4.10: Indigenous Peoples Policy OP 4.09: Pests Control Management

Employee welfare

All employees for the project are from AWWDA. The employees are hired competitively as per the existing labour laws and best practice.

Market place practices-

AWWDA ensures responsible competition practices -with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors -by sensitizing staff and stakeholders on corruption issues, having corruption prevention policies such as Ethics and anti-corruption committee, code of conduct and Ethics.

AWWDA also ensures there is transparency and accountability in matters of public finance. This is through quarterly accounts that are forwarded to the National Treasury and through public procurement where the process is open to the public. There are also the annual audits by KENAO on all the project funds and institution development and recurrent expenditure.

When it comes to good business practices such as honoring contracts with suppliers and respecting payment practices, AWWDA has hired professional in the supply chain department who understand the supplier's operations and offer support to both internal and external stakeholders on all issue's procurement. They also

encourage suppliers to comply to the organization ethical guidelines and ensure contracts and supplier information's are confidential. Athi Water Works Development Agency has a payment policy of 30 days credit period. The Organization endeavors to pay All the suppliers and contractors within 30 days. All updates about the organization are posted on the website and there is annual stakeholders/suppliers' workshop which gives suppliers an opportunity to voice complaints and to interact with their client.

Community Engagements

In line with the right to Access to Information as enshrined under Article 35 of the COK and as part of disability mainstreaming, AWWDA is committed to increasing access to the visually impaired. During the financial year 2020/2021, AWWDA developed an audio visual and sign language service delivery charter which was uploaded on all social media sites to increase access to people with disabilities.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer of Athi Water Works Development and the project coordinator for Water and Sanitation Improvement Project Additional Financing (ID Grant No.5103-KE) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 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 Athi Water Works Development and the project coordinator for Water and Sanitation Improvement Project Additional Financing (ID Grant No.5103-KE) 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 Athi Water Works Development and the project coordinator for Water and Sanitation Improvement Project Additional Financing (ID Grant No.5103-KE) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer of Athi Water Works Development and the project coordinator for Water and Sanitation Improvement Project Additional Financing (ID Grant No.5103-KE) 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 Athi Water Works Development and the project coordinator for Water and Sanitation Improvement Project Additional Financing (ID Grant No.5103-KE) 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 Athi Water Works Development Agency and the Project Coordinator for Water and Sanitation Improvement Project (IDA Grant No.5103-KE) on 28th September 2021 and signed by them.



Chief Executive Officer
Name: Eng. Michael M. Thuita



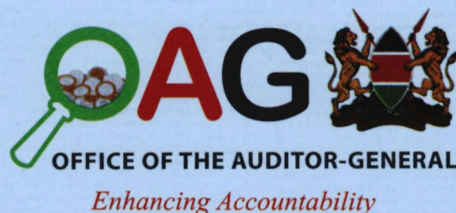
Project Manager
Name: Eng. Joseph Kamau



Manager Finance & Accounts:
CPA. DR. Christine Mawia Julius
ICPAK Member Number: 6458

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WATER AND SANITATION SERVICES IMPROVEMENT PROJECT (IDA CREDIT NO. 5103 – KE) FOR THE YEAR ENDED 30 JUNE, 2021 - ATHI 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 controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Water and Sanitation Services Improvement Project (IDA Credit No.5103 – KE) set out on pages 1 to 29, which comprise

Report of the Auditor-General on Water and Sanitation Services Improvement Project (IDA Credit No. 5103 – KE) for the year ended 30 June, 2021 - Athi Water Works Development Agency

the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Water and Sanitation Services Improvement 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 the Financing Agreement No.5103-KE dated 21 June, 2012 between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statements present fairly, the special accounts transactions and the closing balance has been reconciled with books of accounts.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Water and Sanitation Services Improvement 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. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparative budget or actual amounts for the year ended 30 June, 2021 reflects an approved budgeted expenditure of Kshs.1,730,123,209 and actual expenditure of Kshs.1,740,647,305 resulting to an over expenditure of Kshs.10,524,096 or 1% of the total budget allocation. However, Management has not provided explanation regarding the over expenditure and whether it was authorized.

Other Information

The Program Management is responsible for the other information, which comprises Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Corporate Social Responsibility

Statement/Sustainability Reporting and 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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Delay in Implementation of the Project

Works at the Northern Water Collector Tunnel and Water Intake Project which entails development of river abstraction and water intake structures and construction of a 11.7 kilometers underground tunnel was budgeted to cost USD85,200,000 (equivalent to Kshs.9,031,000,000). The construction commenced on 10 May, 2012 and was expected to be completed by 30 December, 2020. Physical verification of the project in October, 2021 revealed that approximately 99% of the permanent works had been completed. However, supply, fabrication, installation of gates and stop logs, completion of secondary lining for Irati shaft, completion of Makomboki outfall and final site arrangements including all reinstatement works had not been completed.

As a result, it was not possible to confirm whether the project will be completed considering the contract period had expired.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the provisions of the Financing Agreement No.5103-KE dated 12 June, 2012 between the International Development Association (IDA) and the Republic of Kenya, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Project 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, Project Management is responsible for assessing the Project's ability 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.

Project 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 financial statements described above, Project Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

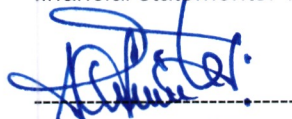
Nairobi

06 December, 2021

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

	Note	FY 2020/21		FY 2019/20		Cumulative to Date	
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Restated	
		Kshs	Kshs	Kshs	Kshs	Kshs	
RECEIPTS							
Receipts from Government of Kenya	11.1	1,730,000,000		1,021,309,584			3,614,775,772
Proceeds from Domestic and Foreign Grants	11.2	0		83,700,256			1,788,450,524
Loan from External Development Partners	11.3	0	0	452,510,298	0		15,003,721,022
Miscellaneous Receipts	11.4	123,209		13,859,796			146,645,725
TOTAL RECEIPTS		1,730,123,209	0	1,571,379,934	0		20,553,593,043
PAYMENTS							
Compensation of Employees	11.5						0
Purchase of goods and services	11.6	23,746		146,020,795			1,302,383,943
Social Security Benefits	11.7	0		0			0
Acquisition of Non-financial Assets	11.8	1,740,623,559	0	2,422,067,874	0		19,250,111,123
Transfers to Other Government Entities	11.9	0		0			0
Other grants and transfers and payments	11.1	0		0			0
TOTAL PAYMENTS		1,740,647,305	0	2,568,088,669	0		20,552,495,066.00
SURPLUS/DEFICIT		-10,524,096	0	-996,708,735	0		1,097,977.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28th September 2021 and signed by:



Chief Executive Officer
 Name: Eng. Michael M. Thuita



Project Manager
 Name: Eng. Joseph Kamau



Manager Finance & Accounts:
 CPA. DR. Christine Mawia Julius
 ICPAK Member Number: 6458

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


	Note	2020/21 Kshs	2019/20 KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.11.A	1,097,977	11,622,073
Cash Balances	11.11.B		
Cash equivalents (short-term deposits)	11.11.C		
Total Cash and Cash Equivalents		1,097,977	11,622,073
Accounts receivables	11.12		0
TOTAL FINANCIAL ASSETS		1,097,977	11,622,073
FINANCIAL LIABILITIES			
Payables	11.13	0	0
NET ASSETS		1,097,977	11,622,073
REPRESENTED BY			
Fund balance b/fwd	11.14	11,622,073	1,008,330,810
Prior year adjustments	11.15	0	0
Surplus/Deficit for the year		(10,524,096)	(996,708,737)
NET FINANCIAL POSITION		1,097,977	11,622,073

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28th September 2021 and signed by:



Chief Executive Officer
 Name: Eng. Michael M. Thuita

Date: 28/09/2021



Project Manager
 Name: Eng. Joseph Kamau

Date: 28/09/2021



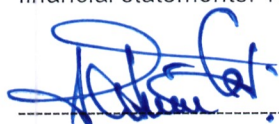
Manager Finance & Accounts:
 CPA. DR. Christine Mawia Julius
 ICPAK Member Number: 6458

Date: 28/09/2021

8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021

	F/Y	2020/21	2020/21 Restated	2019/20 Certified
	Note	Kshs	Kshs	KShs
Receipts for operating activities				
Receipts from Government of Kenya	11.1	1,730,000,000	1,021,309,584	1,021,309,584
Proceeds from Domestic and Foreign Grants	11.2		83,700,256	
Loan from External Development Partners	11.3			
Miscellaneous Receipts	11.4	123,209	13,859,796	13,859,796
		1,730,123,209	1,118,869,636	1,035,169,380
Payments for operating activities				
Compensation of employees	11.5			
Purchase of goods and services	11.6	(23,746)	(146,020,795)	(146,020,795)
Social security benefits	11.7			
Transfers to other government entities	11.9			
Other grants and transfers and Payments	11.1			
Adjusted for:				
Adjustments during the year	11.15		(304,601,572)	(304,601,572)
Changes in receivables	10.16			
Changes in payables	11.17			
Net cash flow from operating activities		1,730,099,463	668,247,269	584,547,013
CASHFLOW FROM INVESTING ACTIVITIES				
Acquisition of Non-financial Assets	11.8	(1,740,623,559)	(2,422,067,874)	(2,422,067,874)
Net cash flows from Investing Activities		(1,740,623,559)	(2,422,067,874)	(2,422,067,874)
CASHFLOW FROM BORROWING ACTIVITIES				
Loan from External Development Partners	11.3	-	452,510,298	536,210,554
Net cash flow from financing activities		-	452,510,298	536,210,554
NET INCREASE IN CASH AND CASH EQUIVALENT		(10,524,096)	(1,301,310,307)	(1,301,310,307)
Cash and cash equivalent at BEGINNING of the year		11,622,075	1,312,932,382	1,312,932,382
Cash and cash equivalent at END of the year		1,097,979	11,622,075	11,622,075

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 28th September 2021 and signed by:



Chief Executive Officer
 Name: Eng. Michael M. Thuita

Date: 28/09/2021



Project Manager
 Name: Eng. Joseph Kamau

Date: 28/09/2021



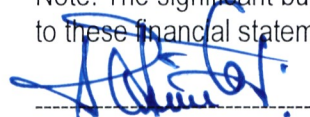
Manager Finance & Accounts:
 CPA. DR. Christine Mawia Julius
 ICPAK Member Number: 6458

Date: 28/09/2021

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	B	c=a+b	D	e=c-d	f=d/c %
Receipts/Payments Item						
Receipts						
Receipts from Government of Kenya	-	1,730,000,000	1,730,000,000	1,730,000,000		100%
Loan from External Development Partners(REVENUE)	-		-		-	
Loan from External Development Partners(A.I.A)	-		-	-	-	
Miscellaneous receipts	123,209		123,209	123,209	-	100%
Total Receipts	123,209	1,730,000,000	1,730,123,209	1,730,123,209	-	100%
Payments						
Compensation of employees	-	-	-	-	-	
Use of goods and services	123,209		123,209	23,746	99,463	19%
Social Security Benefits	-		-	-	-	
Acquisition of Non-financial Assets		1,730,000,000	1,730,000,000	1,740,623,559	-10,623,559	101%
Transfers to Other Government Entities			-		-	
Other Grants and Other Payments			-		-	
Total Payments	123,209	1,730,000,000	1,730,123,209	1,740,647,305	(10,524,096)	101%

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



Chief Executive Officer
 Name: Eng. Michael M. Thuita

Date: 28/09/2021



Project Manager
 Name: Eng. Joseph Kamau

Date: 28/09/2021



Manager Finance & Accounts:
 CPA. DR. Christine Mawia Julius
 ICPAK Member Number: 6458
 Date: 28/09/2021

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 imprest 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 Water And Sanitation Service Improvement Project-Additional financing (Wassip-AF) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i. Transfers from the Exchequer

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

ii. External Assistance

External assistance is 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 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.

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

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.

Significant Accounting Policies (Continued)

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.

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

Significant Accounting Policies (Continued)

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 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.

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 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.

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

There were no third-party payments during the year in the project

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 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.

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.

Significant Accounting Policies (Continued)

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.

11 NOTES TO THE FINANCIAL STATEMENTS

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/21	2019/20	Cumulative to Date
	KShs	KShs	KShs
Counterpart funding through State Department for Water Services			
Counterpart funds Quarter 1			0
Counterpart funds Quarter 2			0
Counterpart funds Quarter 3			0
Counterpart funds Quarter 4	1,730,000,000	1,021,309,584	3,614,775,772
Other transfers from government entities	0	-	0
Appropriations-in-Aid	0	0	0
	1,730,000,000	1,021,309,584	3,614,775,772

11.2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

Name of Donor	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in Kshs	
					FY 2020/21	FY 2019/20
	usd				Kshs	Kshs
		Kshs	Kshs	Kshs	Kshs	Kshs
Grant received from International Development Association (IDA)	0	0	0	0	0	83,700,256
Total	0	0	0	0	0	83,700,256

11.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

Name of Donor	Date received	Amount in loan currency	Amount received in kshs	Total amount in Kshs	
				FY 2020/21	FY 2019/20
			Kshs		Kshs
Proceeds from Foreign Borrowings				0	452,510,298
Total		0	0	0	452,510,298

11.4 MISCELLANEOUS RECEIPTS

	Receipts controlled by the entity in Cash	Receipts controlled by third parties	TOTAL RECEIPTS		Cumulative to-date
			FY 2020/21	FY 2019/20	
	KShs	KShs	KShs	KShs	KShs
Interest on Deposits	123,209	0	123,209	13,859,796	146,645,725
	123,209	0	123,209	13,859,796	146,645,725

11.5 COMPENSATION OF EMPLOYEES

There was no compensation of employees in the reporting period

11.6 PURCHASE OF GOODS AND SERVICES

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to date
			FY 2020/21	FY 2019/20	
	KShs	KShs	KShs	KShs	KShs
Operations costs	23,746	0	23,746	146,020,795	1,248,082,243
Training	0	0	0	0	54,301,700
Total	23,746	0	23,746	146,020,795	1,302,383,943

11.7 SOCIAL SECURITY BENEFITS

There is no social security benefit in the project

11.8 ACQUISITION OF NON-FINANCIAL ASSETS

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date
			FY 2020/21	FY 2019/20	
	Kshs	Kshs	Kshs	Kshs	Kshs
Works	1,740,623,559	0	1,740,623,559	2,183,280,521	16,664,718,600
Goods	0	0	0	0	663,980,356
services	0	0	0	238,787,354	1,921,412,167
Total	1,740,623,559	0	1,740,623,559	2,422,067,875	19,250,111,123

11.9 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2021, there were no transferred funds to other government entities

11.10 OTHER GRANTS AND TRANSFERS AND PAYMENTS

There were no other grants and transfers and payments

11.11 CASH AND CASH EQUIVALENTS CARRIED FORWARD

Cash and Cash Equivalents	2020/21	2019/20
	Kshs	Kshs
IDA USD-Designated account	12,986	12,986
Cash on transit		
Project Account	1,084,991	11,609,087
cooperative bank account		
Actual Total Closing Cash Balance	1,097,977	11,622,073

The project has 1 project accounts and 1 foreign currency designated accounts managed by the National Treasury as listed below:

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11.11. A) Bank Accounts

Project Bank Accounts

	FY 2020/21	FY 2019/20
	KShs	KShs
Foreign Currency Accounts		
-	-	
CFC Stanbic kenya [A/c No]	12,986	12,986
Total Foreign Currency balances	12,986	12,986
Local Currency Accounts		
Cash in Transit	-	0
Kenya Commercial Bank [A/c No: 1139107380]	1,084,991	11,609,087
Total local currency balances	1,084,991	11,609,087
Total bank account balances	1,097,977	11,622,073

Special Deposit Accounts

There were no transactions affecting the special account during the year

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	Kshs	Kshs
(i) Central Bank of Kenya [A/c NO:0100000487923]		
Opening balance	12,986	304,614,558
Total amount deposited in the account	0.00	258,870,039
Total amount withdrawn (as per Statement of Receipts & Payments)	0.00	536,210,554
Add amount of exchange loss in the project account	-	(27,261,058)
Closing balance (as per SDA bank account reconciliation attached)	<u>12,986</u>	<u>12,986</u>

11.11.B) Cash in Hand

There was no cash in hand in the project.

11.11.C) Cash equivalents (short-term deposits)

There were no cash equivalents (short term deposits)

11.12 ACCOUNTS RECEIVABLES

The project did not have any accounts receivables as at 30th June 2021

11.12B: Breakdown of Imprests and Advances

The project did not have any outstanding imprests and advances during the financial year 2020/21

11.13.ACCOUNTS PAYABLES

The project did not have any accounts payable as at 30th June 2021.

11.14 FUND BALANCE BROUGHT FORWARD

	2019/20	2018/19
	KShs	KShs
Bank accounts	11,622,073	1,008,330,810
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances		
Total	11,622,073	1,008,330,810

11.15 PRIOR YEAR ADJUSTMENT

The cumulative loan and expenditure for the project have been restated to reflect the total funding draw down under the project.

11.16 CHANGES IN RECEIVABLE

The project did not have prior year relating to account receivables

11.17 CHANGES IN ACCOUNTS PAYABLE

The project did not have prior year relating to account payable

12 OTHER IMPORTANT DISCLOSURES

12.1 Pending Accounts Payable (See Annex 3a)

	FY2020/21	FY2019/20
Supplier	Amount Due	Amount Due
Pending accounts payables	0	21,989,341
Total	0	21,989,341

12.2 PENDING STAFF PAYABLES (See Annex 3b)

There were no pending staff payables in the project

12.3 Other Pending Payables (See Annex 3c)

There were no other pending payables in the project

12.4 External assistance

There was no external assistance to the project during the year

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13 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. 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)
Basis for Qualified Opinion	The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,670,169,379 and Kshs 1,571,379,933 respectively resulting in underfunding of Kshs.98,789,446 or 6% of the budget. In addition, the statement reflects a final payment budget of Kshs.758,859,795 against an actual on comparable basis of Kshs.2,568,088,669 resulting in an over expenditure of Kshs.1,809,228,874 or 238% of the budget. Further, of the receipts amount of Kshs.1,571,379,933, an amount of Kshs.2,568,088,669 was spent resulting in excess expenditure of kshs1,809,228,874 or 238% of budget	We are in agreement with the auditor's observation. During the Financial year 2019/2020, AWWDA requested for additional resources to finalize implementation of the WaSSIP-AF project which was coming to a close. The Financial statements had not been adjusted for additional receipts from the Government of Kenya. The budget has been adjusted and the accounts revised to reflect the adjustment.	Michael Kimotho	Resolved	Resolved
Unauthorized expenditure		During the Financial year 2018/19 the project carried forward Kshs 1,008,317,824 which was utilized in the financial year 2019/2020. The over absorption is due to the opening balances from financial year 2018/19.			

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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)
Other Matters 1. Pending accounts payable	Note 11.1 to the financial statements reflects accounts payables of Kshs.21,989,341. Management has not explained why the bills were not settled during the year they occurred. The project is at risk of incurring significant interest costs and penalties with their continued delay in payment. Failure to settle bills during the year they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.	We are in agreement with the auditor's observation that the project closed with a pending bill of Kshs.21,989,340.96 which was carried forward to the financial year 2020/21. This was caused by increased billing by the contractor since they expedited the works contract. The fourth quarter budget allocation was received in July 2020 and the pending bill fully settled.	Michael Kimotho	Resolved	Resolved
2. Budget control and performance	The statement of comparative budget and actual amounts reflects final receipts of Kshs.1,571,379,933 against final receipts of Kshs.1,670,169,379 resulting to a shortfall of Kshs.98,789,446. Further, actual expenditure for the year amounted to Kshs.2,568,088,670 against final expenditure of budget of Kshs.758,859,795 resulting to an over expenditure of Kshs.1,809,229,228,974. Management has	We are in agreement with the auditor's observation. During the Financial year 2019/2020, AWWDA requested for additional resources to finalize implementation of the WaSSIP-AF project which was coming to a close. The Financial statements had not been adjusted for additional receipts from the Government of Kenya. The budget has been adjusted and the accounts revised to reflect the adjustment.	Michael Kimotho	Resolved	Resolved

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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>not provided explanation regarding the over expenditure.</p> <p>Consequently, the underfunding and low expenditure may affect the planned activities and impact negatively on service delivery to the public.</p>	<p>During the Financial year 2018/19 the project carried forward Kshs 1,008,317,824 which was utilized in the financial year 2019/2020. The over absorption is due to the opening balances from financial year 2018/19</p>			
Report on Lawfulness and Effectiveness in use of Public Resources					
<p>1. Delay in Completion of Projects.</p> <p>1.1 Northern Collector Tunnel and Water intake Project</p>	<p>Works at the Northern Collector Tunnel and water intake projects budgeted to cost US\$85,200,000 (equivalent of Kshs.9,031,000,000) commenced on 10 May 2012. The works entails development of river abstraction and water intake structures and a 11.7 kilometer underground tunnel, and was expected to be completed by 30 December 2020. As at November, 2020, approximately 75% of permanent</p>	<p>The project is 99% complete. The project is scheduled for substantial completion by March 2022.</p>	Joseph Kamau	<p>Not Resolved</p>	<p>Not Resolved</p>

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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)
1.2 Community Water Supplies Project	<p>works had been completed, which included 100% excavation of tunnel and primary support, 44% tunnel secondary lining and 60% surface structures (Intake and outfall structure). However, there was slow progress at the tunnel which had affected the projected delivery timelines</p> <p>Consequently, the project was behind schedule and thus it was not vnonfirmed when the remaining works were likely to be completed, and whether the project objectives will be realized as envisaged</p>			Resolved	Resolved
	<p>Implementation of Ichichi, Kiruri and Makomboki Community Water Supplies Projects for Kshs.305,478,208 commenced on August 28, 2017 with the completion date set for 28 April, 2019 and later revised to 15 September, 2020. Physical verification conducted in November, 2020 revealed that the laying of pipes had been completed at Kiruri and Ichichi water sites. However, construction of river intake in the forest was still ongoing. In addition, construction of 10</p>	<p>The project is complete and is currently in use</p>	Joseph Kamau	Resolved	Resolved

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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>Kilometre access road from the forest edge to the intake site had been partially done</p> <p>It was not possible to confirm whether the project will be completed considering the contract period had expired</p>				



Chief Executive Officer
 Name: Eng. Michael M. Thuita



Project Manager
 Name: Eng. Joseph Kamau



Manager Finance & Accounts:
 CPA. DR. Christine Mawia Julius
 ICPAK Member Number: 6458

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14. ANNEXES

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation	Comments
	A	B	c=a+b	D	e=c-d	f=d/c %	
Receipts/Payments Item							
Receipts							
Receipts from Government of Kenya	-	1,730,000,000	1,730,000,000	1,730,000,000		100%	Within Budget
Loan from External Development Partners(REVENUE)	-		-		-		
Loan from External Development Partners(A.I.A)	-		-	-	-		
Miscellaneous receipts	123,209		123,209	123,209		100%	Within Budget
Total Receipts	123,209	1,730,000,000	1,730,123,209	1,730,123,209		100%	Within Budget
Payments							
Compensation of employees	-	-	-	-	-		
Use of goods and services	123,209		123,209	23,746	99,463	19%	Less bank charges
Social Security Benefits	-		-	-	-		
Acquisition of Non-financial Assets	-	1,730,000,000	1,730,000,000	1,740,623,559	10,623,559	101%	Within Budget
Transfers to Other Government Entities			-		-		
Other Grants and Other Payments			-		-		
Total Payments	123,209	1,730,000,000	1,730,123,209	1,740,647,305	(10,524,096)	101%	Within Budget

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ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:		Water and Sanitation Improvement Project-Additional Financing	
Break down of Transfers from the Ministry of Water, Sanitation and Irrigation			
a.	Government Counterpart Funding	Bank Statement Date	Amount (KShs)
		7-Jul-20	30,000,000
		06-May-21	1,700,000,000
		Total	1,730,000,000
b.	Direct Payments	Bank Statement Date	Amount (KShs)
			0
		Total	0
c.	Others	Bank Statement Date	Amount (KShs)
			0
		Total	0
		TOTAL(a+b+c)	1,730,000,000

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ANNEX 3A - ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Amount paid to date	Outstanding Balance 2021
	A	C	d=a-c
Construction of civil works			
Nelliwa builders	21,989,341	21,989,341	0
Sub-Total	21,989,341	21,989,341	0

ANNEX 3B ANALYSIS OF PENDING STAFF BILLS

There were no pending staff bills as at 30th June 2021

ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES

There were no other pending payables as at 30th June 2021

ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER

Assets	Opening Cost (KShs) 2020/21	*Purchases/Additions in the Year (KShs) 2020/21	**Disposals in the Year (KShs) 2020/21	Transfers in/(out) Kshs 2020/21	Closing Cost (KShs) 2021
	(a)	(b)	(c)	(d)	(e)= (a)+ (b)-(c)+(-)d
Goods	810,678,916			-146,698,560	663,980,356
Water and sewerage work	3,916,871,432			5,640,416,248	9,557,287,680
Work in Progress	15,286,379,927	1,740,623,559		-8,317,437,230	8,709,566,256
Land and Building	-			319,276,831	319,276,831
Total	20,013,930,275	1,740,623,559	0	(2,504,442,712)	19,250,111,123

ANNEX 5 – CONTINGENT LIABILITIES REGISTER

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

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APPENDICES

- I. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- II. Bank Reconciliations
- III. Cash Count Certificate
- IV. Special Deposit Account(s) reconciliation statement