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*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 18 FEB 2021 DAY: Thursday

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THE AUDITOR-GENERAL

ON

**KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAMME**

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

**RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY**



**PROJECT NAME: KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION  
PROGRAMME**

**IMPLEMENTING ENTITY: RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY**

**PROJECT GRANT/CREDIT NUMBER: P-KE-E00-011  
(AfDB LOAN NO. 2000200000501)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

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**Kenya Towns Sustainable Water Supply and Sanitation Program  
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For the financial year ended June 30, 2020**

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## **1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

### **1.1 Name and registered office**

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

**Objective:** The key objective of the project is to improve the access, quality, availability and sustainability of water supply and wastewater management services in multiple towns in Kenya

**Address:** Central Rift Valley Water Works Development Agency  
Maji Plaza  
Prisons Road  
Off Nakuru-Eldama Ravine Highway  
P. O. Box 2451-20100  
Nakuru.

Telephone: (254) 2213557

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

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

### **1.2 Project Information**

Project Start Date:	01/01 2017
Project End Date:	31/12/2021
Project Manager:	Eng. Rachael Makokha
Project Sponsor:	African Development Bank

### **1.3 Project Overview**

Ministry	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation
Project number	P-KE-E00-011
Strategic goals of the project	The strategic goals of the project are as follows: (i) catalysing commercial activities (ii) Driving Economic growth (iii) Employment Creation (iv) Improving quality of life of the people

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	(v) Building resilience against Variability and change
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Construction and rehabilitation of water supply and sanitation services (ii) Capacity Development of water service providers, the sector regulator for improved service efficiency and women and youth for increased employment opportunities
Other important background information of the project	The project is divided into two components namely: <b>Works:</b> Water Supply infrastructure (including expansion into informal settlements) Construction and rehabilitation of sewerage infrastructure and ablution blocks. Last mile pipe connectivity support. <b>Goods:</b> Purchase of Vehicles, Exhausters, Non-revenue water equipment, Enterprise Resource planning, water testing laboratories and equipment, <b>Services:</b> Study, Design review and supervision of works consultancy
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: Narok town, Olkalau town, Kapenguria and chepararia, Kabarnet, samburu, Kabartonjo, Marigat Elda ma Ravine, Bomet, Mulot, nandi hills, kilgoris, lolgorian, oyugis, kendu bay , Siaya, Bondo bay, ugunja Ukwala and Segga Kiptogot, kolongolo, Eldoret, Kakamega, Migori, Siaya, Nyamira, Migori, Busia, Nambale, Webuye
Project duration	The project started on 1 <sup>st</sup> January 2017 and is expected to run until 31 <sup>st</sup> December 2021

**1.4 Bankers**

Kenya Commercial Bank  
 Kenyatta Avenue Branch, Nakuru  
 Account no. 1101792388

**1.5 Auditors**

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

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**1.6 Roles and Responsibilities**

<b>Names</b>	<b>Title designation</b>	<b>Key Qualifications</b>	<b>Responsibilities</b>
Eng. Hosea Wendot	Chief Executive Officer	MSC In Hydraulic Engineering , BSC in civil and Structural Engineering	Accounting Officer
Eng. Rachael Makokha	Project Coordinator	MSC in Water resources management, BSC degree in Civil Engineering	Project Coordinator
Eng. Patrose Leshinka	Programme Engineer	BSC degree in Civil and Structural Engineering. Registered Graduate Engineer	Project Engineer
Eng. Philip Kimeli	Environmental Engineer	Msc BSC degree in soil water & Environmental Engineering	Environmentalist
William Sakuda	Procurement Manager	Master's in Business Administration, BSC Mathematic and Diploma in Procurement	Procurement Expert
Agnes .J. Bowen	Accountant	Master's in Business Administration (Finance Option) BCom degree in Finance. Registered Accountant	Project Accountant

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**1.7 Funding summary**

The Projects duration is for Five years from 2017 to 2021 with an approved budget of UA 125.687 Million equivalent to Kshs. 18.017B as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment		Amount received to date – 30/06/2020		Undrawn balance to date 30/06/2020	
	Donor currency (UA)	Kshs	Donor currency (UA)	Kshs	Donor currency (UA)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant & Loans						
ADB,ADF,MIC TAF & ADB	111,224,858	15,944,150,119	15,218,014	2,176,175,950	96,006,844	13,767,974,169
(iii)Counterpart funds						0
Government of Kenya	14,462,637	2,073,227,699	1,197,349	171,220,955	13,265,288	1,902,006,744
<b>TOTALS</b>	<b>125,687,495</b>	<b>18,017,377,818</b>	<b>16,415,363</b>	<b>2,347,396,905</b>	<b>109,272,132</b>	<b>15,669,980,913</b>

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**1.8 Summary of Overall Project Performance:**

**Budget performance against actual amounts for current year and for cumulative to-date,**

The Budget performance against actual amount for current year and cumulative was not good due to the challenges mentioned below which are facing the program

**Physical progress based on outputs, outcomes and impacts since project commencement**

The programme is approximately 30% implementation and 7Nr. Projects had commenced. 7Nr Works Contract and 7Nr Last Mile Connectivity Project had not yet commenced. The outcomes, outputs and impact as at June 2020 is summarized in the table shown below

<b>Output Indicators</b> (as specified in the RLF, add/delete rows as needed)	<b>Most recent value</b>	<b>Annual Target</b> (expected cumulative value at end of reporting period)	<b>End Target</b> (expected cumulative value at completion)	<b>Progress towards annual target</b> (% realized)	<b>Progress towards end target</b> (% realized)	<b>Assessment</b> (on whether output indicator is on track to reach annual and end targets. If not on track, please justify)
Length of water pipes laid	81.3 km	300km	1000km	27%	8.1%	The projects are in the initial stages but the indicator is on track
No. of water treatment plants constructed	0	5	20	0%	0%	The projects are in the initial stages but the indicator is on track
No. of intake structures constructed/rehabilitated	0	5	17	0%	0%	The projects are in the initial stages but the indicator is on track
Length of sewer pipes laid	41.8 km	100kms	500km	41.8%	8.36%	The projects are in the initial stages but the indicator is on track
No. of wastewater treatment plants constructed/rehabilitated	1	3	17	33.33%	5.8%	The projects are in the initial stages but the indicator is on track
No. of ablution blocks constructed	0	10	67	0%	0%	The projects are in the initial stages but the indicator is on track
No. of laboratories constructed	0	4	11	0%	0%	The projects are in the initial stages but

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						the indicator is on track
No. of exhausters procured	0	3	7	0%	0%	The projects are in the initial stages but the indicator is on track
No. of WSPs/WSB staff trained	0	100	800	0%	0%	The projects are in the initial stages but the indicator is on track
No. of climate mainstreamed WSP business plans developed/revised (gender informed)	0	7	20	0%	0%	The projects are in the initial stages but the indicator is on track
No. of studies prepared for future investments	7	7	12	100%	58.3%	the indicator is on track

**Comment on value-for-money achievements**

Value for money has been achieved by the agency through pursuing the lowest whole of life cost, clearly defining relevant benefits and delivering on time. Preventing waste and fostering competition, transparency and accountability during the tendering process are key conditions to achieving value for money.

**Indicate the absorption rate for each year since the commencement of the project.**

Absorption rate for this project has by achieved by measuring the budget performance against the amount Disbursed by the donor through direct payment. During the financial year ending 30<sup>th</sup> June, 2019 the absorption rate was at 23%

**Implementation, challenges and recommended way forward.**

- a) Delayed processing and disbursement of advance payments to the contractors
- b) Delayed processing and disbursement of Interim Payment Certificates (IPCs) to the Contractors and Consultants
- c) Delayed approvals of permits by counterpart agencies i.e., KFS, WRA, NEMA, KeRRA and KeNHA
- d) Delayed process of land acquisition due to community aversion and political influence

**Recommended way forward**

- The review and approval process of the Master List, Interim Payment Certificates and Advance Payments has to be hastened in order to minimize delays
- Approvals of permits from inter-government agencies needs to be fast-tracked and applied for before project commencement
- Proper sensitization needs to be done to the community before and during project implementation

**1.9 Summary of Project Compliance:**

- The projects are fully compliant with the applicable laws and regulations including the Environmental Authority, Water Resource Authority, Occupational Health and Safety Regulations among other and hence there are no significant cases of non – compliance with the applicable laws and regulations and essential external financing agreements. This is attributed to the strong working relationship with all the stakeholders involved in the project implementation.
- There are no anticipated consequences likely to be suffered on account of non-compliance. However, in case of non – compliance the consequences to be suffered include: project site closure, possible litigation from stakeholders among others.
- The mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance include: a detailed complaints redress mechanisms to address social issues, engagement of the certified occupational health and safety officer on site, regular monitoring and evaluation of the compliance and joint awareness creation by the stakeholders to avert any adverse effect.

## **2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the *Project Coordinator* for *Kenya Towns Sustainable Water Supply and Sanitation Program* 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, 2020. 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 Central Rift Valley Water Works Development Agency and the *Project Coordinator* for *Kenya Towns Sustainable Water Supply and Sanitation program* 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 Central Rift Valley Water Works Development Agency and the *Project Coordinator* for *Kenya Towns Sustainable Water Supply and Sanitation Program* 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, 2020, and of the Project's financial position as at that date. The Chief Executive Officer of Central Rift Valley Water Works Development Agency and the *Project Coordinator* for *Kenya Towns Sustainable Water Supply and Sanitation Program* 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 Central Rift Valley Water Works Development Agency and the *Project Coordinator* for *Kenya Towns Sustainable Water Supply and Sanitation Program* 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.

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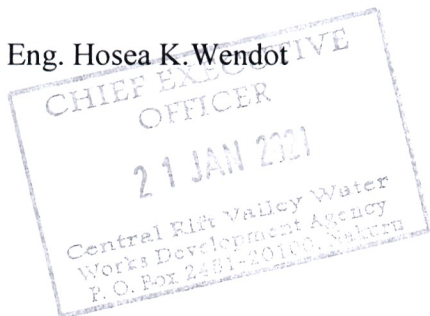
**Approval of the Project financial statements**

The Project financial statements were approved by the and Chief Executive Officer of Central Rift Valley Water Works Development Agency the *Project Coordinator* for *Kenya Towns Sustainable Water Supply and Sanitation Program* on \_\_\_\_\_ and signed by them.

  
\_\_\_\_\_

Chief Executive Officer


Eng. Hosea K. Wendot



  
\_\_\_\_\_

Project Coordinator

Eng. Rachael Makokha

  
\_\_\_\_\_

Project Accountant:

Agnes Bowen

ICPAK Member No: 12282

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA TOWNS SUSTAINABLE WATER SUPPLY AND SANITATION PROGRAMME FOR THE YEAR ENDED 30 JUNE, 2020 - RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Kenya Towns Sustainable Water Supply and Sanitation Programme set out on pages 12 to 34, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and the statement of comparative 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, except for the effects 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 Kenya Towns Sustainable Water Supply and Sanitation Programme as at 30 June, 2020, 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. 2000200000501 between the African Development Bank and the Republic of Kenya dated 09 January, 2017 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Unsupported Transfers from Government Entities**

The statement of receipts and payments reflects transfer from government entities receipts of Kshs.132,653,988 which as disclosed under Note 8.3 to the financial statements represents counterpart funding for the Programme from the Government of Kenya received in two tranches. However, the receipts were not supported by way of reference numbers of Authority to Incur Expenditure (AIE) and bank statements indicating credits into the Programme account.

Consequently, the accuracy and completeness of the reported transfer from government entities receipts of Kshs.132,653,988 could not be confirmed.

## **2. Bank Balances**

The statement of financial assets reflects a nil bank balance as at 30 June, 2020. However, cashbooks, bank reconciliation statements and certificate of bank balances in support of the balance were not provided for audit.

Consequently, the accuracy and fair statement of the reported nil bank balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Towns Sustainable Water Supply and Sanitation Programme 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. I have determined that there are no key audit matters to communicate in my report.

## **Other Matter**

### **1. Pending Bills**

Notes 9.1 to the financial statements reflects pending bills totalling Kshs.614,153,077 as at 30 June, 2020. Management has not provided explanations for non-payment of the bills. The Project is at risk of incurring significant interest costs and penalties with the continued delay in payment. Further, failure to settle bills during the year to which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

### **2. Budget Control and Performance**

The statement of comparative of budget and actual amounts reflects final receipts and expenditure budgets of Kshs.1,749,653,988 and Kshs.2,793,252,706 respectively resulting into an unbalanced and unfunded budget of Kshs.1,043,598,718 which has not been explained. In addition, the Programme expended Kshs.1,580,239,008 against an approved budget of Kshs.2,793,252,706 resulting to an under-expenditure of Kshs.1,213,013,697 or 43% of the budget. The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

# 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 sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## Basis for Conclusion

### 1. Failure to Maintain Separate Programme Bank Account

Clause 1.2 (j) of the Subsidiary Loan Agreement (SLA) between the Government of Kenya and Central Rift Valley Water Works Development Agency (CRVWWDA) requires the Programme to open a local currency account for the purpose of receiving the counterpart funding from the Government of Kenya. However, as at the time this audit was finalized, the Programme had not opened the account but continued to receive the counterpart funds through the Agency's operations bank account.

### 2. Fixed Assets Register

The Programme did not maintain a register of assets. This is contrary to Regulation 143 (1) of Public Finance Management (National Government) Regulations, 2015 which provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

Consequently, it could not be confirmed that the Programme assets had been properly safeguarded.

### 3. Project Implementation Status

A physical verification, carried out during the month of January, 2021, of seven (7) projects under the Programme with a total contract sum of Kshs.6,884,268,048 revealed the following Project's status:

	<b>Project</b>	<b>Contract Sum (Kshs.)</b>	<b>Audit Observation</b>
1.	Narok Town Sewerage	1,714,225,175	Work done is 98% against payment of 60% of contract sum. Work had exceeded contract period by 2 months

	<b>Project</b>	<b>Contract Sum (Kshs.)</b>	<b>Audit Observation</b>
2.	Malaba Water Supply	356,137,724	Work done is 53% against payment of 39% of contract sum. Contract period remaining is 6 months to June 2021.
3.	Oyugis Water Supply	706,234,152	Work done is 27% against payment of 21 % of contract sum. Contract period remaining was at 35%.
4.	Kendu Bay Water Supply	673,929,361	Work done is 45% against payment of 22 % of contract sum. Contract period remaining is 6 months to June 2021.
5.	Ugunja-Ukwala Water Supply	1,214,356,130	Work done is 25% against payment of 17 % of contract sum. Contract period remaining is 6 months to June 2021.
6.	Kiptogot - Kolongolo Water Supply System	1,200,043,073	Work done is 38% against payment of 40 % of contract sum. Contract period remaining is 6 months to June 2021.
7.	Kipkaren Dam Water Supply	1,375,480,157	Work done is 20% against payment of 15 % of contract sum. Contract period remaining is 6 months to June 2021.
	<b>Total</b>	<b>6,884,268,048</b>	

There is risk of a significant number of Projects not being completed within the contract period which may result in cost escalations.

#### **4. Acquisition of Land**

The statement of receipts and payments reflects payments controlled by the entity for acquisition of assets of Kshs.3,502,500 which as disclosed under Note 8.10 to the financial statements related to acquisition of land. Included in this amount was partial compensation for two land parcels measuring 0.16 and 2.4 hectares at a cost of Kshs.425,000 and Kshs.2,975,000 respectively where water supply projects are being implemented at Oyugis and Kendu Bay. However, the ownership of the land was yet to be transferred to the Agency as at the time of completing this audit in January, 2021.

In absence of land ownership documents, the propriety of the payments could not be confirmed.

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 SYSTEMS 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 matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of Risk Management Policy**

The Programme did not have a Risk Management Policy and therefore, had no approved processes and guidelines on how to mitigate operational, legal and financial risks as stipulated under Regulation 165 (1) of the Public Finance Management (National Government) Regulations, 2015. No formal risk assessment was conducted. In absence of a formal approved risk management framework, ability to identify threats or risks and definition of strategy to eliminate or minimize the impact of the risks could be compromised.

Additionally, it was noted that the Management lacks a Disaster Recovery Plan and therefore crucial information may not be recovered in the event of a disaster.

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 African Development Bank, except for the effect of the matters described under Basis for Qualified Opinion, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Basis for Conclusion on Effectiveness of Internal Controls, Risk Management Systems and Governance sections of my report, 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 Programme, so far as appears from the examination of those records; and
- iii. The Programme's financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Programme or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Programme 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 overall 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**27 January, 2021**

**Kenya Towns Sustainable Water Supply and Sanitation Program**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2020**

**4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020**

	Note	2019/2020		2018/2019		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
<b>RECEIPTS</b>						
Transfer from Government entities	8.3	132,653,988	0	38,566,967	0	171,220,955
Proceeds from domestic and foreign grants	8.4	0	0	0	0	0
Loan from external development partners	8.5	0	1,580,239,008.40	0	595,936,942	2,176,175,950
Miscellaneous receipts	8.6	0	0	0	0	0
<b>TOTAL RECEIPTS</b>		<b>132,653,988</b>	<b>1,580,239,008.40</b>	<b>38,566,967</b>	<b>595,936,942</b>	<b>2,347,396,905</b>
<b>PAYMENTS</b>						
Compensation of employees	8.7	1,184,451.00	0	0	0	1,184,451.00
Purchase of goods and services	8.8	46,215,497	263,634,221.08	35,064,467	239,081,038	583,995,223.
Social security benefits	8.9		0	0	0	0
Acquisition of Assets	8.10	85,254,040	1,316,604,787.33	3,502,500	356,855,903	1,762,217,230
Transfers to other government entities	8.11	0	0	0	0	0
Other grants and transfers and payments	8.12	0	0	0	0	0
<b>TOTAL PAYMENTS</b>		<b>132,653,988</b>	<b>1,580,239,008.40</b>	<b>38,566,967</b>	<b>595,936,941</b>	<b>2,347,396,904</b>
<b>SURPLUS/(DEFICIT)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

Chief Executive Officer

Eng. Hosca Wendot

21 JAN 2021  
 Central Rift Valley Water  
 Works Development Agency  
 P. O. Box 2481-20100, Nakuru

Project Coordinator

Eng. Rachael Makokha

Project Accountant:

Agnes Bowen

ICPAK Member No: 12282

*Kenya Towns Sustainable Water Supply and Sanitation Program  
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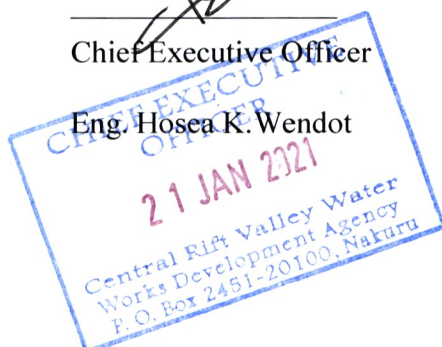
**5. STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>TH</sup> JUNE, 2020**

	Note	2019-2020	2018-2019
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8.13.A	0	0
Cash Balances	8.13.B	0	0
Cash Equivalents (short-term deposits)	8.13.C	0	0
<b>Total Cash and Cash Equivalents</b>		<b>0</b>	<b>0</b>
Accounts receivables – Imprest and Advances	8.14	0	0
<b>TOTAL FINANCIAL ASSETS</b>		<b>0</b>	<b>0</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	8.15	0	0
Prior year adjustments	8.16	0	0
Surplus/(Deficit) for the year		0	0
<b>NET FINANCIAL POSITION</b>		<b>0</b>	<b>0</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 \_\_\_\_\_ and signed by:


  
\_\_\_\_\_  
Chief Executive Officer

Eng. Hosea K. Wendot



  
\_\_\_\_\_  
Project Coordinator

Eng. Rachael Makokha

  
\_\_\_\_\_  
Project Accountant

Agnes Bowen

ICPAK Member No: 12282

*Kenya Towns Sustainable Water Supply and Sanitation Program  
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For the financial year ended June 30, 2020*

**6. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020**

		2019-2020	2018-2019
	Note	KShs	KShs
<b>Receipts for</b>			
<b>operating activities</b>			
Transfer from Government entities	8.3	132,653,988	38,566,967
Proceeds from domestic and foreign grants	8.4	0	0
Miscellaneous receipts	8.6	0	0
<b>Payments for operating activities</b>			
Compensation of employees	8.7	(1,184,451.00)	0
Purchase of goods and services	8.8	(309,849,718.08)	(274,145,505)
Social security benefits	8.9		0
Transfers to other government entities	8.11	0	0
Other grants and transfers	8.12	0	0
Adjustments during the year	8.16	0	
<b>Net cash flow from operating activities</b>		<b>(178,380,181)</b>	<b>(235,578,538)</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8.10	(1,401,858,827)	(360,358,403)
<b>Net cash flows from Investing Activities</b>		<b>(1,401,858,827)</b>	<b>(360,358,403)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Loan from external development partners		1,580,239,008	595,936,942
<b>Net cash flow from financing activities</b>		<b>1,580,239,008</b>	<b>595,936,942</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>0</b>	<b>0</b>
<b>Cash and cash equivalent at END of the year</b>		<b>0</b>	<b>0</b>

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 \_\_\_\_\_ and signed by:

Chief Executive Officer

Eng. Hosea K. Wendot

Project Coordinator

Eng. Rachael Makokha

Project Accountant:

Agnes Bowen

ICPAK Member No: 12282



**Kenya Towns Sustainable Water Supply and Sanitation Program**  
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7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	450,000,000	(317,346,012)	132,653,988	132,653,988	0	100%
Proceeds from domestic and foreign grants	0	0	0	0	0	0
Loan from external development partners	1,617,000,000	0	1,617,000,000	1,580,239,008	36,760,992	98%
<b>Total Receipts</b>	<b>2,067,000,000</b>	<b>(317,346,012)</b>	<b>1,749,653,988</b>	<b>1,712,892,996</b>	<b>36,760,992</b>	<b>98%</b>
<b>Payments</b>						
Compensation of employees	0	0	0	0	0	0
Purchase of goods and services	818,448,851	0	818,448,851	263,634,221	554,814,630	32%
Social security benefits	0	0	0	0	0	0
Acquisition of non-financial assets	1,974,803,855	0	1,974,803,855	1,316,604,787	658,199,067	67%
Transfers to other government entities	0	0	0	0	0	0
Other grants and transfers	0	0	0	0	0	0
<b>Total Payments</b>	<b>2,793,252,706</b>	<b>0</b>	<b>2,793,252,706</b>	<b>1,580,239,008</b>	<b>1,213,013,697</b>	<b>57%</b>

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

Chief Executive Officer

Eng. Hosea K. Wendot

21 JAN 2021  
 Central Rift Valley Water  
 Works Development Agency  
 P. O. Box 2451-20100, Nakuru

Project Coordinator

Eng. Rachael Makokha

Project Accountant:

Agnes Bowen

ICPAK Member No: 12282

## **8. NOTES TO THE FINANCIAL STATEMENTS**

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

### **8.1. Basis of Preparation**

#### **8.1.1. Statement of compliance and basis of preparation**

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

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

#### **8.1.2. Reporting entity**

The financial statements are prepared by Central Rift Valley Water Works Development Agency under Ministry of Water & Sanitation and Irrigation for the Project Kenya Towns Sustainable Water Supply and Sanitation Program. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### **8.1.3. Reporting currency**

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

### **8.2. 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.

- **Transfers from the Exchequer**

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

- **External Assistance**

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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### ***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.

### ***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.

### ***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

- **Other receipts**

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

## **b) Recognition of payments**

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

- **Compensation of employees**

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

- **Use of goods and services**

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

- **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)**

- **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.

- **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.

### **c) 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.

### **d) 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)**

**e) 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.

**f) 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.

**g) 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.

**h) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties column in the statement of receipts and payments.

During the year Kshs 1.5billion being loan disbursements were received in form of direct payments from third parties.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) 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.

**j) 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.

**k) 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, 2020.

**l) Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: 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.

*Kenya Towns Sustainable Water Supply and Sanitation Program  
Reports and Financial Statements  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.3. RECEIPTS FROM GOVERNMENT OF KENYA**

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

	<b>2019/20</b>	<b>2018/19</b>	<b>Cumulative</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>to-date(from inception)</b>
<i>Counterpart funding through Ministry of Water, Sanitation &amp; Irrigation</i>			
Counterpart funds Quarter 1	112,500,000	12,500,000	125,000,000
Counterpart funds Quarter 2	20,153,988	12,500,000	32,653,988
Counterpart funds Quarter 3	0	13,566,967	13,566,967
Counterpart funds Quarter 4	0	0	0
<b>Total</b>	<b><u>132,653,988</u></b>	<b><u>38,566,967</u></b>	<b><u>171,220,955</u></b>

*[Provide explanation as necessary noting that “Other transfers from government entities” is not the counterpart funding which is the government’s share of contribution towards the implementation of the project as mandated by the Project Agreement.]*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS**

During the 12 months to 30th June 2020 we did not received grants from external financiers in form Direct Payments as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in Kshs	
						2019/20	2018/19
			Kshs	Kshs	Kshs	Kshs	Kshs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>							
African Development Bank		0	0	0	0	0	0
<b>Grants Received from Multilateral Donors (International Organizations)</b>							
Insert name of international organization		0	0	0	0	0	0
<b>Grants Received from Local Individuals and organizations</b>							
Insert name of individual or local organization		0	0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project. Projects should ensure that the adequate documents and support document is requested from the donors to support this .3grant.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	FY18/19	FY17/18
<b>Loans Received from Bilateral Donors (Foreign Governments)</b>						
African Development Bank	24/07/2019		0	1,580,239,008.40	595,936,942.08	0
<b>Loans Received from Multilateral Donors (International Organizations)</b>						
Insert name of international organization		0	0	0	0	0
<b>Total</b>			<b>0</b>	<b>1,580,239,008.40</b>	<b>595,936,942.08</b>	<b>0</b>

**8.6. MISCELLANEOUS RECEIPTS**

	2019-2020			2018-2019	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Property income	0	0	0	0	0
Sales of goods and services	0	0	0	0	0
Administrative fees and charges	0	0	0	0	0
Fines, penalties and forfeitures	0	0	0	0	0
Voluntary transfers other than grants	0	0	0	0	0

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Other receipts not classified elsewhere	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

[Provide explanation as necessary]

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.7. COMPENSATION OF EMPLOYEES**

	2019/2020			2018/2019	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
-					
Basic salaries of permanent employees	1,184,451	0	0	0	1,184,451
Basic wages of temporary employees	0	0	0	0	0
Personal allowances paid as part of salary	0	0	0	0	0
Personal allowances paid as reimbursements	0	0	0	0	0
Personal allowances provided in kind	0	0	0	0	0
Pension and other social security contributions	0	0	0	0	0
Compulsory national social security schemes	0	0	0	0	0
Compulsory national health insurance schemes	0	0	0	0	0
Social benefit schemes outside government	0	0	0	0	0
Other personnel payments	0	0	0	0	0
<b>Total</b>	<b><u>1,184,451</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1,184,451</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.8. PURCHASE OF GOODS AND SERVICES**

	2019-2020			2018-2019	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	4,042,651.00	0	4,042,651	0	4,042,651
Communication, supplies and services	0	0	0	0	0
Domestic travel and subsistence	25,661,954	0	25,661,954	26,317,350	51,979,304
Foreign travel and subsistence	0	0		1,713,306	1,713,306
Printing, advertising and – information supplies & services	3,445,158	0	3,445,158	4,587,043	8,032,201
Rentals of produced assets	0	0			0
Training payments	1,908,422	0	1,908,422	2,423,055	4,331,477
Hospitality supplies and services	0	0			0
Insurance costs	0	0			0
Consultancy Services		263,634,221	263,634,221	239,081,038	502,715,259.08
Other operating payments	11,715,573	0	11,715,573		11,715,572.60
Routine maintenance – vehicles and other transport equipment	627,190.00	0	627,190	23,713	650,903
Routine maintenance – other assets	0	0	0	0	0
Exchange rate losses/gains (net)	0	0	0	0	0
<b>Total</b>	<b>46,215,497</b>	<b>263,634,221</b>	<b>309,849,718</b>	<b>274,145,505</b>	<b>583,995,223</b>

*Kenya Towns Sustainable Water Supply and Sanitation Program  
Reports and Financial Statements  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.9. SOCIAL SECURITY BENEFITS**

	2019/2020			2018/2019	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Government pension and retirement benefits	0	0	0	0	0
Social security benefits in cash and in kind	0	0	0	0	0
Employer social benefits in cash and in kind	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

*[Provide explanation as necessary]*

**8.10. ACQUISITION OF NON-FINANCIAL ASSETS**

	2019/2020			2018/2019	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of buildings	0	0	0	0	
Construction of buildings	0	0	0	0	
Refurbishment of buildings	0	0	0	0	
Construction of roads	0	0	0	0	
Construction of civil works	0	1,316,604,787	1,316,604,787	356,855,903	1,673,460,690
Overhaul & refurbishment of construction and civil works	0	0	0	0	
Purchase of vehicles & other transport equipment	0	0	0	0	
Overhaul of vehicles & other transport equipment	0	0	0	0	

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Purchase of household furniture & institutional equipment	0	0	0	0	
Purchase of office furniture & general equipment	0	0	0	0	
Purchase of specialised plant, equipment and machinery	0	0	0	0	
Rehabilitation & renovation of plant, equipment & machinery	0	0	0	0	
Purchase of certified seeds, breeding stock and live animals	0	0	0	0	
Research, studies, project preparation, design & supervision	0	0	0	0	
Rehabilitation of civil works	0	0	0	0	
Acquisition of strategic stocks	0	0	0	0	
Acquisition of land	85,254,040	0	0	3,502,500	88,756,540
Acquisition of other intangible assets	0	0	0	0	
<b>Total</b>	<b>85,254,040</b>	<b>1,316,604,787</b>	<b>1,316,604,787</b>	<b>360,358,403</b>	<b><u>1,762,217,217</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2020, we transferred funds to reporting government entities as shown below:

	2019-2020			2018-2019	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
Ministry ABC	0	0	0	0	0
Project XYZ	0	0	0	0	0

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<b>Transfers to County Government</b>					
County ABC	0	0	0	0	0
County XYZ	0	0	0	0	0
<b>TOTAL</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS**

	2019-2020			2018-2019	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Grants for scholarships	0	0	0	0	0
Transfers to lower levels of government e.g. schools	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD**

	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 8.13A)	0	0
Cash in hand (Note 8.13B)	0	0
Cash equivalents (short-term deposits) (Note 8.13C)	0	0
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>

The project has no number of project accounts spread within the project implementation area and no number of foreign currency designated accounts managed by the National Treasury as listed below:

**8.13. A Bank Accounts**

**Project Bank Accounts**

	2019/20	2018/19
	KShs	KShs
<b><u>Foreign Currency Accounts</u></b>		
N/A	0	0
N/A	0	0
N/A	0	0
N/A	0	0
<b>Total Foreign Currency balances</b> N/A	<b>0</b>	<b><u>0</u></b>
<b><u>Local Currency Accounts</u></b>		
N/A	0	0
N/A	0	0
N/A	0	0
N/A	0	0
<b>Total local currency balances</b> N/A	<b>0</b>	<b><u>0</u></b>
<b>Total bank account balances</b> N/A	<b>0</b>	<b><u>0</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Special Deposit Accounts**

The balances in the Project's Special Deposit Account(s) as at 30<sup>th</sup> June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

**Special Deposit Accounts Movement Schedule**

	2019/20	2018/19
	KShs	KShs
<b>(i) A/c Name [A/c No.....] N/A</b>		
Opening balance	0	0
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>0</u>	<u>0</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>(ii) A/c Name [A/c No.....] N/A</b>		
Opening balance (as per the SDA reconciliation)	0	0
Total amount deposited in the account	0	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>0</u>	<u>0</u>
<b>Closing balance (as per SDA bank account reconciliation attached)</b>	<b><u>0</u></b>	<b><u>0</u></b>

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

**8.13. B Cash In Hand**

	2019/20	2018/19
	KShs	KShs
N/A	0	0
N/A	0	0
N/A	0	0
N/A	0	0
<b>N/A</b>	<b><u>0</u></b>	<b><u>0</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.13. C Cash equivalents (short-term deposits)**

	2019/20	2018/19
	Kshs	Kshs
N/A	0	0
N/A	0	0
N/A	0	0
<b>Total</b> N/A	<u>0</u>	<u>0</u>

*[Provide short appropriate explanations as necessary]*

**8.14. OUTSTANDING IMPRESTS AND ADVANCES**

<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2019</i>	<i>Balance 2018</i>
N/A	0	N/A	0	0	0
<b>Total</b>	<u>0</u>	<u>0</u>	0	0	0

**8.15. FUND BALANCE BROUGHT FORWARD**

	2019/20	2018/19
	KShs	KShs
N/A	0	0
N/A	0	0
N/A	0	0
N/A	0	0
<b>Total</b> N/A	<u>0</u>	<u>0</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8.16. PRIOR YEAR ADJUSTMENT**

	<b>2019/20</b>	<b>2018/19</b>
	<b>KShs</b>	<b>KShs</b>
N/A	0	0
N/A	0	0
N/A	0	0
N/A	0	0
<b>Total</b> N/A	<u>0</u>	<u>0</u>

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**9. OTHER IMPORTANT DISCLOSURES**

**9.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	0	0	0	
Construction of civil works	704,026,593	960,962,087.81	1,260,649,682.25	404,338,998.50
Supply of goods	0	0	0	0
Supply of services	146,647,903	551,082,659.76	487,916,484.48	209,814,078.25
<b>Total</b>	<b>850,674,496</b>	<b>1,512,044,747.57</b>	<b>1,748,566,166.73</b>	<b>614,153,076.84</b>

**9.2 PENDING STAFF PAYABLES (See Annex 2B)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
Description	Kshs	Kshs	Kshs	Kshs
Senior management	0	0	0	0
Middle management	0	0	0	0
Unionisable employees	0	0	0	0
Others	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**9.3 OTHER PENDING PAYABLES (See Annex 2C)**

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2018/2019
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	0	0	0	0
Amounts due to County Government entities	0	0	0	0
Amounts due to third parties	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**10.0 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)
N/A	N/A	N/A	N/A	N/A	N/A

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

  
 Chief Executive Officer

21.1.2021  
 Date



  
 Project Coordinator

21/1/2021  
 Date

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**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government entities	140,498,983.61	140,498,983.61	0	100%	
Proceeds from domestic and foreign grants	0	0	0	0	
Loan from external development partners					
Miscellaneous receipts	1,617,000,000	1,580,239,008.40	36,760,991.60	98%	
<b>Total Receipts</b>	<b>1,749,653,988</b>	<b>1,720,737,992.01</b>	<b>36,760,991.60</b>	<b>98%</b>	
<b>Payments</b>					
Compensation of employees	0	0	0	0	
Purchase of goods and services	818,448,851	263,634,221.08	554,814,629.92	32%	
Social security benefits	0	0	0	0	
Acquisition of non-financial assets	1,974,803,855	1,316,604,787.33	658,199,067.67	67%	
Transfers to other government entities	0	0	0	0	
Other grants and transfers	0	0	0	0	
<b>Total payments</b>	<b>2,793,252,706</b>	<b>1,580,239,008.41</b>	<b>1,213,013,697.59</b>	<b>57%</b>	

*Explain all variance below 90% and above 100%*

- (i) *There was low Absorption of funds at 32% and 67% because there was an ongoing procurement of contractors and consultants*

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**ANNEX 2A - ANALYSIS OF PENDING BILLS**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount To-Date	Paid	Outstanding Balance 2017	Outstanding Balance 2016a	Comments
	a	b	c		d=a-c		
<b>Construction of buildings</b>							
1.							
2.							
3.							
<b>Sub-Total</b>							
<b>Construction of civil works</b>							
4.							
5. Construction of Narok Town Sewerage	1,047,987,673	20/12/2018	835,650,646		212,337,209	242,498,022	IPC 5
6. Construction of Kendu Bay Water Supply	201,061,728	16/10/2018	117,986,921		83,074,807	117,986,921	IPC 2
7. Construction of Kiptogot Water Supply	313,633,103.74	15/10/2018	244,374,326.68		71,958,777.06	244,374,326	IPC 2
8. Construction of Malaba Water Supply	99,606,175.96	16/12/2018	62,637,970.40		36,968,205.56	62,637,971	IPC 2&3
9.							
<b>Sub-Total</b>	<b>1,662,288,291</b>		<b>1,260,649,864</b>		<b>404,338,999</b>	<b>667,497,240</b>	
<b>Supply of goods</b>							
10.	0		0		0	0	
11.							
12.							
<b>Sub-Total</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>	
<b>Supply of services</b>							
13.							
14. Consultancy for Ugunja Water Supply	96,556,950.16	27/10/2017	80,431,061.71		16,125,888.	16,125,888	IPC 4
15. Consultancy for Kipkarren Water Supply	54,439,256.63	15/09/2017	41,996,057.84		12,443,198.79	4,147,733	IPC 5
16. Consultancy for Bomet-Mulot	50,781,670.20	05/09/2017	18,592,070.60		32,189,599.60	0	IPC 2-5
17. consultancy For Mangat I.B	113,536,682	05/09/2017	97,876,484		15,660,198	0	IPC 6

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount To-Date	Outstanding Balance 2017	Outstanding Balance 2016a	Comments
18. Consultancy for Malaba Water & sewerage	31,612,657.17	14/09/2017	17,782,153.11	13,830,504.06	5,927,359	IPC 4
19. Consultancy for Kapenguria sewerage project	34,384,370.04	14/07/2018	11,945,298.20	22,439,071.84	7,167,069	IPC 3,4
20. Consultancy for Olkalou	10,201,037.76	09/07/2018	2,040,288.49	8,160,749.26	0	IPC 3,4
21. Consultancy for Kapsabet,Nambale	39,455,851.61	03/10/2018	8,454,752.93	31,000,760.75	8,454,752.93	IPC 2&3
22. Consultancy for Bergei Dam	37,004,781	21/06/2018	37,004,781	0	23,127,988	IPC 3
23. Consultancy for LMC-Narok & Kabarnet	18,572,206.45	05/07/2017	0	18,572,206.45		IPC 1
24. Consultancy for LMC Siaya Bondo	19,967,586.00		6,655,862.00	13,311,724.00	0	IPC 2,3
25. Consultancy for ERP	13,162,655.87		0	13,162,655.87	0	IPC 1
26. Consultancy for Amaya Dam	37,623,017.65	09/08/2018	32,821,336	4,801,681.65	32,821,336	IPC 2
27. Consultancy for Eldoret & Kakamega	10,821,120	07/03/2019	2,705,280	8,115,840	0	IPC 2
Consultancy for Mumias –Kimili	<b>3,949,700.00</b>	<b>20/02/2019</b>	<b>3,949,700.00</b>	<b>0</b>	<b>0</b>	
<b>Sub-Total</b>	<b>572,069,542.54</b>		<b>362,255,125.88</b>	<b>209,814,078.27</b>		
<b>Grand Total</b>	<b>2,234,358,223.24</b>		<b>1,622,904,989.96</b>	<b>614,153,076.89</b>		

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**ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS**

Name of Staff	Job Group	Original Amount	Date Payable Contract ended	Amount Paid To-Date	Outstanding Balance 2017	Outstanding Balance 2016	Comments
		a	b	c	d=a-c		
<b>Permanent Employees - Management</b>		0	N/A	0	0	0	
1.		0	N/A	0	0	0	
2.		0	N/A	0	0	0	
3.		0	N/A	0	0	0	
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Permanent Employees - Others</b>							
4.		0	N/A	0	0	0	
5.		0	N/A	0	0	0	
6.		0	N/A	0	0	0	
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Temporary employees</b>							
7.		0	N/A	0	0	0	
8.		0	N/A	0	0	0	
9.		0	N/A	0	0	0	
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Others (specify)</b>							
10.		0	N/A	0	0	0	
11.		0	N/A	0	0	0	
12.		0	N/A	0	0	0	
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Grand Total</b>		0	N/A	0	0	0	

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**ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES**

<b>Name</b>	<b>Brief Transaction Description</b>	<b>Original Amount</b>	<b>Date Payable Contracted</b>	<b>Amount Paid To-Date</b>	<b>Outstanding Balance 20xx</b>	<b>Outstanding Balance 20xx</b>	<b>Comments</b>
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>							
1.	N/A	0	N/A	0	0	0	
2.							
3.							
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Amounts due to County Govt Entities</b>							
4.	N/A	0	N/A	0	0	0	
5.							
6.							
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Amounts due to Third Parties</b>							
7.	N/A	0	N/A	0	0	0	
8.							
9.							
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Others (specify)</b>							
10.	N/A	0	N/A	0	0	0	
11.							
12.							
<b>Sub-Total</b>		0	N/A	0	0	0	
<b>Grand Total</b>							

ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

Name	Brief Transaction Description	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 20xx	Outstanding Balance 20xx	Comments
		a	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>							
1.	N/A	0	N/A	0	0	0	
2.							
3.							
<b>Sub-Total</b>	N/A	0	N/A	0	0	0	
<b>Amounts due to County Govt Entities</b>							
4.	N/A	0	N/A	0	0	0	
5.							
6.							
<b>Sub-Total</b>	N/A	0	N/A	0	0	0	
<b>Amounts due to Third Parties</b>							
7.	N/A	0	N/A	0	0	0	
8.							
9.							
<b>Sub-Total</b>	N/A	0	N/A	0	0	0	
<b>Others (specify)</b>							
10.	N/A	0	N/A	0	0	0	
11.							
12.							
<b>Sub-Total</b>	N/A	0	N/A	0	0	0	
<b>Grand Total</b>							

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**ANNEX 3–SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Opening Cost (KShs) 2019/20 (a)</b>	<b>*Purchases/Additions in the Year (KShs) 2019/20 (b)</b>	<b>**Disposals in the Year (KShs) 2019/20 (c)</b>	<b>Transfers in/(out) Kshs 2019/20 (d)</b>	<b>Closing Cost (KShs) 2020 (e)= (a)+ (b)-(c)+(-)d</b>
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment,					
Other Machinery and Equipment					
Heritage and cultural assets					
Biological assets					
Infrastructure assets roads, rails					
Intangible assets					
Work in Progress					
<b>Total</b>					