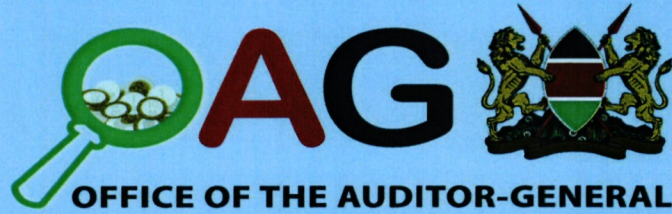


REPUBLIC OF KENYA



*Enhancing Accountability*



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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NAIROBI RIVERS BASIN REHABILITATION  
AND RESTORATION PROGRAM: SEWERAGE  
IMPROVEMENT PROJECT PHASE II (AfDB  
LOAN NO. 2000200003407 AND ADF LOAN  
NO. 2100150040550)**

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

**ATHI WATER WORKS DEVELOPMENT  
AGENCY**



PROJECT NAME:  
NAIROBI RIVERS BASIN REHABILITATION AND RESTORATION PROGRAM: SEWERAGE IMPROVEMENT PROJECT  
PHASE II

Implementing Entity:  
Athi Water Works Development Agency

PROJECT NUMBER: P-KE-EB0-010

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021

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

***Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement  
Project Phase II (P-KE-EB0-010)  
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**1. PROJECT INFORMATION AND OVERALL PERFORMANCE**

**1.1 Name and registered office**

**Name:** The project's official name is: Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (P-KE-EB0-010).

**Objective:** The objective of the Nairobi Rivers Rehabilitation and Restoration Program: Sewerage Improvement Project phase II is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.

**Address:** The project's implementing Agency's headquarters offices are in Nairobi (City), 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.**

**Contacts:** The following are the project contacts

Telephone: (254) 0202724292/3  
E-mail: info@awwda.go.ke  
Website: www.awwda.go.ke

**1.2 Project Information**

Project Start Date:	The project start date is <b>November 2018</b>
Project End Date:	The project end date is <b>February 2023</b>
Project Manager:	The project manager is <b>Eng. Joseph Kamau</b>
Project Sponsor:	The project sponsor is the <b>African Development Fund (ADF)</b> and <b>African Development Bank (ADB)</b>

**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	P-KE-EB0-010
Strategic goals of the project	The strategic goals of the project is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin
Achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> <li>• Sanitation Infrastructure</li> <li>• Institutional Development Support</li> </ul>

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	<ul style="list-style-type: none"> <li>• Project Management</li> </ul>
Other important background information of the project	<p>The proposed project supports sanitation infrastructure investments including institutional capacity development funded through a combination of an ADB loan and GoK counterpart contribution. The funding instrument for the proposed intervention is sector investment and the project investments are to be complemented by AFD through parallel financing amounting to EUR 20 million (USD 24.645 million). AFD support focuses on reticulation sewers including last mile connections.</p> <p>The total cost of the Bank supported project components is estimated at EUR 70.841 million, net of taxes and duties. Of this, EUR 51.806 million or 73.1% is in foreign currency and EUR 19.035 million is in local currency. The GoK counterpart - funding requirement for the project is 11.2% for implementation of RAP and land acquisition, payment of taxes and any other operational costs that will be incurred during project implementation</p>
Current situation that the project was formed to intervene	<ul style="list-style-type: none"> <li>• Construct approximately 440 km of sewer reticulation network including last mile connections with a view to provide sewer connection to approximately 1,000,000 people.</li> <li>• 40,000 people will benefit from 100 new and rehabilitated ablution blocks</li> <li>• Rehabilitation and upgrade Dandora Estate Sewage Treatment Plant (DESTP) will significantly improve effluent discharge from the largest wastewater treatment plant in Nairobi.</li> <li>• As part of the effort to deliver inclusive sanitation service, fecal sludge discharge points will be constructed within the sewerage network and 100 ablution blocks will be constructed in informal</li> <li>• AWSB and NCWSC will benefit from capacity development support to strengthen the institution for the better planning, operational and management of sanitation services.</li> </ul>
Project duration	The project started on November 2018 and is expected to run until February 2023.

#### **1.4 Bankers**

The donor funding is partially direct payment and project account payment. The project account being used is for Narsip I held at NCBA bank. Gok funds received are transferred to the project account to pay for taxes and other implementation costs. NCBA Bank details are as follows;

NCBA Bank Kenya Plc  
NIC House Branch  
**NAIROBI**

#### **1.5 Auditors**

The project is audited by the:  
Auditor General,  
Office of the Auditor General,  
Anniversary Towers, University Way,  
P.O. Box 30084-00100,  
**NAIROBI.**

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**1.6 Roles and Responsibilities**

Names	Title designation	Key qualification	Responsibilities
Eng Michael Thuita	Chief Executive Officer	Bsc. Civil Engineering, IEK	Accounting Officer
Eng. Joseph Kamau	Chief Manager, Water and Sanitation Services	Bsc. Civil Engineering, IEK	Project Manager
Alphaxard Kithoko	Ag.Manager-Sewer & Sanitation Infrastructure Development	Bsc. Civil Engineering	Project Coordinator
Keziah Adhiambo	Principal Environmental officer	Msc Environmental studies	Project environmentalist
Loise Kamau	Manager-Environment and Safeguards	BA Social studies	Project sociologist
Christine Mawia Julius	Manager-Finance and Accounts	Doctorate, MBA, CPA-K	Project accountant
Ann Gacheri	Principal Procurement Officer	MBA	Project procurement officer

**1.7 Funding summary**

The project duration is for six years from November 2018 to February 2023 with an approved budget of donor financing totalling to Euro 70,841,000.00 broken down into: comprised of ADB loan (Euro 59,407,000.00) equivalent to Kshs 6,942,658,462.00, ADF loan (Euro 3,507,000.00) equivalent to Kshs 409,849,062.00, and GOK counterpart of Euro 7,927,000.00 equivalent to Kshs 926,396,782.00. The table below gives the funding summary of the project

**A. Source of Funds**

Source of funds	Donor Commitment-		Amount received to date		Undrawn balance to date	
			30/06/2021		30/06/2021	
	Donor currency(Euro)	KShs	Donor currency Euro	KShs	Donor currency Euro	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
<b>(i) Grant</b>						
<b>(ii) Loan</b>						
African Development Fund (ADF)	3,507,000	409,849,062	529,593	54,290,719	2,977,407	355,558,343
African Development Bank (ADB)	59,407,000	6,942,658,462	5,572,481	639,959,558	53,834,519	6,302,698,904
<b>(iii) Counterpart funds</b>						
Government of Kenya	7,927,000	926,396,782	986,702	44,363,774	6,940,298	882,033,008
<b>Total</b>	<b>70,841,000</b>	<b>8,278,904,306</b>	<b>7,088,776</b>	<b>738,614,051</b>	<b>63,752,224</b>	<b>7,540,290,255</b>

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**B. Application of funds**

Application of funds	Amount received to date		Cumulative Amount paid to date		Unutilised balance to date	
	30/06/2021		30/06/2021		30/06/2021	
	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
	0	0	0	0	0	0
<b>(i) Loan</b>						
African Development Fund (ADF)	529,593	54,290,719	529,593	54,290,719	-	-
African Development Bank (ADB)	5,572,481	639,959,558	5,572,481	639,959,558	-	-
<b>(ii) Counterpart funds</b>						
Government of Kenya	986,702	44,363,774	779,411	19,916,582	207,291	24,447,192
<b>Total</b>	<b>7,088,776</b>	<b>738,614,051</b>	<b>6,881,485</b>	<b>714,166,859</b>	<b>207,291</b>	<b>24,447,192</b>

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**1.8 Summary of Overall Project Performance:**

**Works**

Contracts under AWWDA			
Project Name	Project Scope	Progress to date	Challenges
Construction Of Kahawa West, Githurai 44 & 45 And Kahawa Sukari Reticulation Sewers	<p><b>Scope</b>            Construction of Precast Concrete and uPVC Reticulation Sewers of approximate total length of 190km within the Project Area covering Kahawa West, Githurai 44 &amp; 45, Kahawa Sukari, Membley, Ruiru CBD, Mugutha / Murera and areas along the Eastern Bypass Road (Diameters varying from 600mm to 160mm).</p> <p>Construction of 2Nr. Modern Faecal Exhauster Discharge Points and 8,000 Nr Household Sewer Connections</p> <p>Improvements at Ruiru Sewage Treatment Works comprising of Construction of Grit Removal Channel at the Phase I Inlet Works and 750mm dia Interconnection Pipeline, length 515m, between the Phase I and Phase II Works</p> <p><b>Cost of Contract</b>            Kshs. 2,154,077,997.67 (Inclusive of 16%VAT)</p> <p>Amount paid to date is Kshs 323,111,699.65</p>	The contract is on course, with the overall progress of works being 5%	<ul style="list-style-type: none"> <li>• Delay in payment of advance payment</li> </ul>

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Contracts under AWWDA			
Project Name	Project Scope	Progress to date	Challenges
Construction of Mwiki and Clayworks Reticulation Sewers	<p><b>Scope</b></p> <p>Construction of 40km reticulation sewers for Mwiki area</p> <p>Construction of 26.369km reticulation sewers for Clay Works areas</p> <p>Construction of 53.148km reticulation sewers for kasarani and Gatina areas</p> <p>Construction of 4.4km DN900mm Dandora Dumpsite Trunk Sewer</p> <p>Construction of 10.835km sewers for Embakasi North areas</p> <p>Construction of 18.9km reticulation sewers for Southern Nairobi areas</p> <p>Construction of an administration building for Embakasi North areas</p> <p>Identification and connection of 4,000Nr. Households.</p> <p>Construction of 2Nr. sludge disposal facility</p> <p>Drilling, testing and equipping of ten (10Nr.) 300m deep boreholes, construction of ten (10Nr.) 18m high 24m<sup>3</sup> elevated steel water tanks, ten (10Nr.) standard water kiosks and 10km connection water pipelines.</p> <p><b>Cost of Contract</b> Kshs. 1,794,140,605.68</p> <p>Amount paid to date; IPC No. 1 - KES 179,414,061.00 (Advance Payment)</p>	<p>The contractor is currently establishing his campsite. No actual works has been carried out on the stated scope of work.</p> <p>The Consultant has additionally designed and issued drawings for 3.3km Gathara-ini River Infinity Park Trunk Sewer, and the Contractor has been instructed to fast track this section of the works.</p> <p>Progress of works achieved is 2%</p>	<ul style="list-style-type: none"> <li>• Slow approval process.</li> </ul>

**Goods**

Project Name	Project Scope	Progress to date	Challenges
Supply and delivery of Operational Vehicles for Nairobi City Water and Sewerage Company	The contract was signed at a contract sum of Kshs 62,977,234.04 inclusive of taxes. It was for supply of vehicles for Nairobi city water and sewerage	The contract is completed	None
Upgrade of ICT Systems for Nairobi City Water and Sewerage Company	The contract was awarded on 14 <sup>th</sup> Oct 2020 at a contract sum of USD 1,627,303.36 inclusive of VAT	Contract is on course, Implementation on-going	None

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**Consultancies**

<b>Project Name</b>	<b>Consultancy Scope</b>	<b>Progress to date</b>	<b>Challenges</b>
Consultancy Services for Design Review and Construction Supervision of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	Design review, tender documentation connections inventory and assistance in procurement of works contractor. Construction supervision and RAP/ESIA Implementation <b>Cost of Contract</b> USD 283,600 Kshs 2,472,500 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 2,524,500.00 and USD 384,580.00 for certificates 1- 3	None
Consultancy Services for Design Review and Construction Supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers	Design review tender documentation and construction supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers Kshs 83,620,000 exclusive of indirect taxes	The consultancy is on course and has disbursed Kshs 7,548,108 for certificates 1- 2	None
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	Design and construction supervision for rehabilitation and expansion of Dandora Estate sewerage treatment plant	The consultancy is on course and has disbursed Kshs 1,721,083.69 for certificates 1	None

**1.9 Summary of Project Compliance:**

The project performed all its activities ensuring compliance with applicable laws and regulations, and essential external financing agreements/covenants.

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**2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED 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.

**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
Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	The project objective is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.	<p>1. Construction of Sewers, diameters ranging from 160mm to 600mm, approximate total length 190km</p> <p>2. Construction of 8,000 Nr Household Sewer Connection Construction of 2Nr. Modern Faecal Exhauster Discharge Points and Ancillary Facilities at each Point including</p> <p>3. Administration Building, Staff Houses (2Nr., One Bedroom Houses), Ablution Block and Gate House.</p> <p>4. Improvements at Ruiru Sewage Treatment Works comprising of Construction of Grit Removal Channel at the Phase I Inlet Works and 750mm diameter Interconnection Pipeline, length 515m, between the Phase I and Phase II Works.</p>	% Increase in water and sanitation coverage in Kahawa Githurai and Ruiru	Overall Progress of the Works is at 5%

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Project	Objective	Outcome	Indicator	Performance
Construction of Mwiki & Clayworks Reticulation sewers	The project objective is to improve the access, quality, availability and sustainability of wastewater services in Nairobi City with a view to contribute to the restoration of Nairobi Rivers Basin.	Construction of 40km reticulation sewers for Mwiki Construction of 26.369km reticulation sewers for Clay Works Construction of 53.148km reticulation sewers for kasarani and Gatina Construction of 4.4km DN900mm Dandora Dumpsite Trunk Sewer Construction of 10.835km sewers for Embakasi North areas Construction of 18.9km reticulation sewers for Southern Nairobi areas Construction of 2Nr. sludge disposal facility	% Increase in sanitation coverage in Nairobi areas	Overall progress of work is at 2%
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	The main objective of the assignment is to improve the wastewater treatment process at the Dandora Estate Sewage Treatment Plant leading to a better quality of effluent.	1. DESTP inlet Rehabilitation works 2. DESTP Inlet Expansion works, including the Kiu River Pumping Station 3. Construction of channel extension from Inlet Works to the distribution channel for Anaerobic Ponds 3. 4. Desludging of DESTP anaerobic ponds	improved efficiency and capacity of the inlet works anaerobic ponds	Overall progress of work is at 1%

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**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.

**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.

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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.

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**

<b>IDF</b>	<b>Environment Safeguards Instruments</b>	<b>Description of safeguards</b>
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
KfW	Sustainability Guidelines	

**1. Employee welfare**

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

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

It generally guides the implementation of the policies and decision making at various levels within the Agency on matters

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human capital. The policy provision covers the entire recruitment process, pay and benefits, employee relations, performance management, training & development and the health and safety issues. In consideration of the affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalized communities in all aspects of human resources dynamics.

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

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

**2. Market place practices-**

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

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

All engagements between AWWDA and suppliers and/or contractors take the form of purchase orders and contracts which are signed by both parties and they clearly enumerate responsibilities and obligations of either party. The payment schedules also form part of the contracts and they are strictly adhered to during the contract period.

AWWDA encourages public participation and also clearance by relevant Govt agencies to ensure consumer rights and interests are not infringed

**3. 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.

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**4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021.

This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 period ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 AWWDA and the Project Coordinator for Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 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 Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II on 28<sup>th</sup> September 2021 and signed by them.



Chief Executive Officer  
Name: Eng. Michael M. Thuita



Project Manager  
Name: Eng. Joseph Kamau

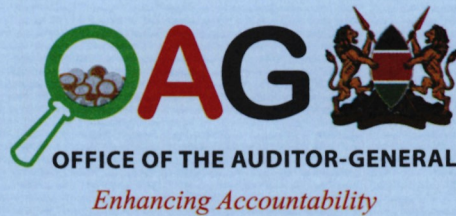


Manager, Finance & Accounts  
Name: CPA, Dr. Christine Mawia Julius  
ICPAK Member Number: 6458

*Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project  
Phase II (P-KE-EB0-010)  
Reports and Financial Statements  
For the financial year ended June 30, 2021*

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
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Website: www.oagkenya.go.ke



HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON NAIROBI RIVERS BASIN REHABILITATION AND RESTORATION PROGRAM: SEWERAGE IMPROVEMENT PROJECT PHASE II (AfDB LOAN NO. 2000200003407 AND ADF LOAN NO. 2100150040550) FOR THE YEAR ENDED 30 JUNE, 2021 - ATHI WATER WORKS DEVELOPMENT AGENCY

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### PREAMBLE

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

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

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

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

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*Report of the Auditor-General on Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II (Loan Nos.2000200003407 and 2100150040550) for the year ended 30 June, 2021 - Athi Water Works Development Agency*

## REPORT ON THE FINANCIAL STATEMENTS

### **Opinion**

I have audited the accompanying financial statements of Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II set out on pages 1 to 25, which comprise 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 Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 Loan Agreement Nos.2000200003407 and 2100150040550 dated 19 June, 2019 between the African Development Bank (AfDB) the African Development Fund and the Republic of Kenya and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement Project Phase II 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 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 and actual amounts reflects that the Program received an amount of Kshs.739,738,147 against the approved budget of

Kshs.1,021,124,096 resulting to a shortfall of Kshs.281,385,949 or 28% of the budgeted receipts. Similarly, the project had budgeted to spend Kshs.1,021,124,096 but utilized an amount of Kshs.714,342,681 resulting into under expenditure of Kshs.306,781,416 or 30% of the budget. Management has attributed the under absorption to slow procurement process and mobilization of works by the contractors.

The under collection of revenue and under expenditure is an indication that some programmes and activities that had been planned for, were not implemented.

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

### **Basis for Conclusion**

#### **Slow Progress of Works**

Review of Project procurement records revealed that during the year under review, contract for the construction of Kahawa West, Githurai 44 & 45, Kahawa Sukari Reticulation sewer was awarded to a firm at a contract sum of Kshs.2,154,077,998 for a duration of eighteen (18) months from 15 March, 2021 to 14 September, 2022. However, physical verification carried out in October 2021 revealed that overall progress of works was only at 2% completion level against seven (7) months, or 39% time lapsed of the contract period.

Further, a status review carried out on the construction of Mwiki and Clayworks reticulation sewers which was awarded at a contract sum of Kshs.1,794,140,606,

revealed overall progress stood at 0.02% against time lapsed of six (6) months or 33.3% of the eighteen (18) months contract duration from 22 March, 2021 to 20 October, 2022. No satisfactory explanation has been provided for the delays.

The implementation of the project is behind schedule, and it is unlikely that the remaining time will be enough to complete the project and therefore the Program's objectives may not be realized as envisaged.

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 overall governance were not effective.

### Basis for Conclusion

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the provisions of the Loan Agreements Nos.2000200003407 and 2100150040550 dated 19 June, 2019 between the African Development Bank, the African Development Fund, 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**

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 the 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 the 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 financial reporting process, reviewing the effectiveness of how the Program 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 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 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**

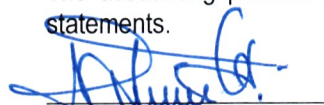
**06 December, 2021**

**Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement  
Project Phase II (P-KE-EB0-010)  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

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

	Note	2020/2021			2019/2020			Cumulative to-date (From inception)
		Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	
<b>RECEIPTS</b>								
Transfer from Government entities	11.1	44,363,774		44,363,774	-	-	44,363,774	
Proceeds from domestic and foreign grants	11.2	-		-	-	-	-	
Loan from external development partners	11.3		694,250,277	694,250,277	-	-	694,250,277	
Miscellaneous receipts	11.4	1,124,096		1,124,096	-	-	1,124,096	
<b>TOTAL RECEIPTS</b>		<b>45,487,870</b>	<b>694,250,277</b>	<b>739,738,147</b>	<b>-</b>	<b>-</b>	<b>739,738,147</b>	
				-	-	-	-	
<b>PAYMENTS</b>								
Compensation of employees	11.5			-	-	-	-	
Purchase of goods and services	11.6	175,822	-	175,822	-	-	175,822	
Social security benefits	11.7			-	-	-	-	
Acquisition of non-financial assets	11.8	19,916,582	694,250,277	714,166,859	-	-	714,166,859	
Transfers to other government entities	11.9			-	-	-	-	
Other grants and transfers and payments	11.10			-	-	-	-	
<b>TOTAL PAYMENTS</b>		<b>20,092,404</b>	<b>694,250,277</b>	<b>714,342,681</b>	<b>-</b>	<b>-</b>	<b>714,342,681</b>	
<b>SURPLUS/DEFICIT</b>		<b>25,395,466</b>	<b>-</b>	<b>25,395,466</b>	<b>-</b>	<b>-</b>	<b>25,395,466</b>	

The accounting policies and explanatory notes to these financial statements are an integral part of the 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  
Name: CPA, Dr. Christine Mawia Julius  
ICPAK Member Number: 6458

Date: 28/09/2021

***Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement  
Project Phase II (P-KE-EB0-010)  
Reports and Financial Statements  
For the financial year ended June 30, 2021***

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

	Note	2020-2021	2019-2020
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	11.11. A	25,395,466	0
Cash Balances	11.11. B	0	0
Cash Equivalents (short-term deposits)	11.11.C	0	0
<b>Total Cash and Cash Equivalents</b>		<b>25,395,466</b>	<b>0</b>
Accounts Receivables	11.12	0	0
<b>TOTAL FINANCIAL ASSETS</b>		<b>25,395,466</b>	<b>0</b>
<b>FINANCIAL LIABILITIES</b>			
Payables- Deposits and Retentions	11.13	0	0
<b>NET ASSETS</b>		<b>25,395,466</b>	<b>0</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	11.14	-	0
Prior year adjustments	11.15	0	0
Surplus/(Deficit) for the year		25,395,466	0
<b>NET FINANCIAL POSITION</b>		<b>25,395,466</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 28<sup>th</sup> 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  
Name: CPA, Dr. Christine Mawia Julius  
ICPAK Member Number: 6458

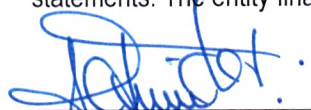
Date: 28/09/2021

**Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement**  
**Project Phase II (P-KE-EB0-010)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

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

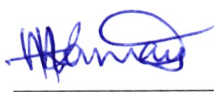
		2020-2021	2019-2020
	Note	KShs	KShs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts from operating activities</b>			
Transfer from Government entities	11.1	44,363,774	0
Proceeds from domestic and foreign grants	11.2	0	0
Miscellaneous receipts	11.4	1,124,096	0
		<b>45,487,870</b>	<b>-</b>
<b>Payments from operating activities</b>			
Purchase of goods and services	11.6	175,822	0
<b>Adjustments during the year</b>			
Prior Year Adjustments	11.15	0	0
Decrease/(Increase) in Accounts Receivable	11.16	0	0
Increase/(Decrease) in Accounts Payable:	11.17	0	0
<b>Net cash flow from operating activities</b>		<b>175,822</b>	<b>0</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	11.8	714,166,859	0
<b>Net cash flows from Investing Activities</b>		<b>714,166,859</b>	<b>0</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	11.3	694,250,277	0
<b>Net cash flow from financing activities</b>		<b>694,250,277</b>	<b>0</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>25,395,466</b>	<b>-</b>
Cash and cash equivalent at BEGINNING of the year	11.11	-	0
Cash and cash equivalent at END of the year	11.11	<b>25,395,466</b>	<b>-</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 28<sup>th</sup> 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  
Name: CPA, Dr. Christine Mawia Julius  
ICPAK Member Number: 6458

Date: 28/09/2021

**Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement  
Project Phase II (P-KE-EB0-010)  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

**9. 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	100,000,000		100,000,000	44,363,774	55,636,226	44%
Proceeds from domestic and foreign grants			-		-	
Proceeds from borrowings	320,000,000	600,000,000	920,000,000	694,250,277	225,749,723	75%
Miscellaneous receipts	1,124,096		1,124,096	1,124,096	-	100%
<b>Total Receipts</b>	<b>421,124,096</b>	<b>600,000,000</b>	<b>1,021,124,096</b>	<b>739,738,147</b>	<b>281,385,949</b>	<b>72%</b>
<b>Payments</b>						
Compensation of employees			-	-	-	
Purchase of goods and services	168,449,638		168,449,638	175,822	168,273,816	0%
Social security benefits			-		-	
Acquisition of non-financial assets	252,674,458	600,000,000	852,674,458	714,166,859	138,507,599	84%
Transfers to other government entities			-		-	
Other grants and transfers			-		-	
<b>Total Payments</b>	<b>421,124,096</b>	<b>600,000,000</b>	<b>1,021,124,096</b>	<b>714,342,681</b>	<b>306,781,415</b>	<b>70%</b>

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  
Name: CPA, Dr. Christine Mawia Julius  
ICPAK Member Number: 6458

Date: 28/09/2021

***Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement  
Project Phase II (P-KE-EB0-010)  
Reports and Financial Statements  
For the financial year ended June 30, 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 imprests and salary advances and b) payables that include deposits and retentions.

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

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

**10.3 Reporting entity**

The financial statements are for the Nairobi Rivers Basin Rehabilitation And Restoration Program: Sewerage Improvement Project Phase II under under Athi Water Works Development Agency. 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 AWWDA and/or the contractor/consultant or supplier in the event of direct payments.

**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.

***Nairobi Rivers Basin Rehabilitation and Restoration Program: Sewerage Improvement  
Project Phase II (P-KE-EB0-010)  
Reports and Financial Statements  
For the financial year ended June 30, 2021***

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 AWWDA 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

**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.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Contingent Liabilities**

A contingent liability is:

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

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the entity 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.

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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 recognized 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**

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 694,250,277 being** loan disbursements were received in form of direct payments from third parties.

**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 recognized 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.

**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.

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**11. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM GOVERNMENT OF KENYA**

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

	2020/21	2019/20	
	Kshs	Kshs	Cumulative to-date (from inception)
Counterpart funding through Ministry of Water and Sanitation			
Counterpart funds Quarter 1	19,363,774	-	19,363,774
Counterpart funds Quarter 2		-	-
Counterpart funds Quarter 3	25,000,000	-	25,000,000
Counterpart funds Quarter 4		-	-
Appropriations-in-Aid		-	-
<b>Total</b>	<b>44,363,774</b>	<b>-</b>	<b>44,363,774</b>

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

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	
						2020/21	2019/20
			Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)							
		0	0	0	0	0	0
Grants Received from Multilateral Donors (International Organizations)							
		0	0	0	0	0	0
Grants Received from Local Individuals and organizations							
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**3. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
			KShs	KShs	2020/21	2019/20
Loans Received from Bilateral Donors (Foreign Governments)						
	N/A	N/A	N/A	N/A	N/A	N/A
Loans Received from Multilateral Donors (International Organisations)						
African Development Fund (ADF)-UA		2,910,000		54,290,719	54,290,719	
African Development Bank (ADB)-EURO		59,407,000		639,959,558	639,959,558	
<b>Total</b>		<b>62,317,000</b>		<b>694,250,277</b>	<b>694,250,277</b>	<b>-</b>

**4. MISCELLANEOUS RECEIPTS**

	2020/21			2019/2020	Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts	Total Receipts	
	KShs	KShs	KShs	KShs	KShs
Interest from bank deposit	1,124,096		1,124,096	-	1,124,096
<b>Total</b>	<b>1,124,096</b>	<b>-</b>	<b>1,124,096</b>	<b>-</b>	<b>1,124,096</b>

**5. COMPENSATION OF EMPLOYEES**

The project is implemented by AWWDA staff and therefore no staff compensation was drawn from the proceeds of the loan

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6. PURCHASE OF GOODS AND SERVICES AWWDA

	2020/2021			2019/2020	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Bank charges	175,822		175,822		175,822
			-		
<b>Total</b>	<b>175,822</b>	<b>-</b>	<b>175,822</b>	<b>-</b>	<b>175,822</b>

7. SOCIAL SECURITY BENEFITS

There was no social security benefit cost relating to the project in the reporting period

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**8. ACQUISITION OF NON-FINANCIAL ASSETS-AWWDA**

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Upgrade of ICT Systems for Nairobi City Water and Sewerage Company	10,776,396	76,974,254	87,750,650		87,750,650
Supply and delivery of Operational Vehicles for Nairobi City Water and Sewerage Company	7,600,701	54,290,719	61,891,420	-	61,891,420
Consultancy Services for Design Review and Construction Supervision of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers		44,232,410	44,232,410	-	44,232,410
Lot 2 - Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers		278,544,569	278,544,569	-	278,544,569
Consultancy Services for Design Review and Construction Supervision of Mwiki, Clay works, Eastern and Western Nairobi Reticulation Sewers		6,486,300	6,486,300	-	6,486,300
Construction of Mwiki & Clay works Reticulation sewers		232,000,940	232,000,940	-	232,000,940
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works		1,721,084	1,721,084	-	1,721,084
Taxes	1,539,486		1,539,486		1,539,486
<b>Total</b>	<b>19,916,583</b>	<b>694,250,276</b>	<b>714,166,859</b>	<b>-</b>	<b>714,166,859</b>

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

**9. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

During the 12 months to 30 June 2021, there were no transfers made to other agencies.

**10. OTHER GRANTS AND TRANSFERS AND PAYMENTS**

The project did not make transfers to any other entity in the period under review

**11. CASH AND CASH EQUIVALENTS CARRIED FORWARD**

	2020/21	2019/20
	Kshs	Kshs
Bank accounts (Note 8.13A)	25,395,466	-
Cash in hand (Note 8. 13B)	0	
Cash equivalents (short-term deposits) (Note 8.13C)	0	
<b>Total</b>	<b>25,395,466</b>	<b>-</b>

The reported cash balances comprise of GoK contribution to the project and is managed through AWWDA's NARSIP II account held at NCBA.

**11. A Bank Accounts**

**Project Bank Accounts**

	2020/21	2019/20
	Kshs	Kshs
<b>Foreign Currency Accounts</b>		
Central Bank of Kenya [A/c No.....]	0	
<b>Total Foreign Currency balances</b>	<u>0</u>	-
<b>Local Currency Accounts</b>		
NCBA (A/c No. 1000017414)	25,395,466	
<b>Total local currency balances</b>	25,395,466	-
<b>Total bank account balances</b>	<b>25,395,466</b>	<b>-</b>

*The project funds are held in NCBA Bank*

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**Special Deposit Accounts**

The project does not have a special deposit account since all payments are done as direct payments.

**11. B Cash in Hand**

There was no cash in hand relating to the project as at 30<sup>th</sup> June 2021

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

	2020/21	2019/20
	Kshs	Kshs
N/A	0	0
<b>Total cash balances</b>	<b>0</b>	<b>0</b>

**12. ACCOUNTS RECEIVABLES**

There were no account receivables relating to the project as at 30<sup>th</sup> June 2021

**12B: BREAKDOWN OF IMPRESTS AND ADVANCES**

There were no surrendered imprests or other advances relating to the project as at 30<sup>th</sup> June 2021

**13. ACCOUNTS PAYABLES**

Description	2020-2021	2019-2020
	Kshs	Kshs
Retention	0	0
Deposits	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**14. FUND BALANCE BROUGHT FORWARD**

	2019/20	2018/19
	Kshs	Kshs
Bank accounts	-	
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances	0	0
<b>Total</b>	<b>-</b>	<b>-</b>

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

**15. PRIOR YEAR ADJUSTMENT**

The project did not have any prior year adjustment during the 2020/2021FY

**16. CHANGES IN RECEIVABLE**

Description of the error	2020-2021	2019-2020
	Kshs	Kshs
Opening Receivables as at 1 <sup>st</sup> July 2020	0	0
Closing account receivables as at 30 <sup>th</sup> June 2021	0	0
Change in Receivables	<b>0</b>	<b>0</b>

**17. CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2020-2021	2019-2020
	Kshs	Kshs
Deposit and Retentions as at 1 <sup>st</sup> July 2020	0	0
Closing accounts payables as at 30 <sup>th</sup> June 2021	0	0
Change in payables	<b>0</b>	<b>0</b>

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**12. OTHER IMPORTANT DISCLOSURES**

**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 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of civil works	0	592,232,789	510,545,509	81,687,280
Supply of goods	0	152,267,369	151,181,555	1,085,814
Supply of services	0	54,443,198	52,439,795	2,003,403
<b>Total</b>	<b>0</b>	<b>798,943,356</b>	<b>714,166,859</b>	<b>84,776,497</b>

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

The project did not have any payables relating to staff costs

**3. OTHER PENDING PAYABLES (See Annex 2C)**

During the year under review the project did not have other pending payables

**4. External Assistance**

During the year under review, the project did not get any external assistance

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

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

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 <sup>1</sup>

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

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

<sup>1</sup> This is the first year the project started operations and it is the first year of audit for the project hence it did not have any prior year issues for follow up.

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**14. ANNEXES**

**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	100,000,000	44,363,774	55,636,226	44%	Third and fourth quarter funding was received in July 2021.
Proceeds from domestic and foreign grants	-		-		
Proceeds from borrowings	920,000,000	694,250,277	225,749,723	75%	Third and fourth quarter funding was received in July 2021.
Miscellaneous receipts	1,124,096	1,124,096	-	100%	
<b>Total Receipts</b>	<b>1,021,124,096</b>	<b>739,738,147</b>	<b>281,385,949</b>	<b>72%</b>	
<b>Payments</b>					
Compensation of employees	-	-	-		
Purchase of goods and services	168,449,638	175,822	168,273,816	0%	Within the budget
Social security benefits	-		-		
Acquisition of non-financial assets	852,674,458	714,166,859	138,507,599	84%	Third and fourth quarter funding was received in July 2021.
Transfers to other government entities	-		-		
Other grants and transfers	-		-		
<b>Total payments</b>	<b>1,021,124,096</b>	<b>714,342,681</b>	<b>306,781,415</b>	<b>70%</b>	

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**ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS**

PROJECT NAME:		<i>Nairobi Rivers Basin Rehabilitation And Restoration Program: Sewerage Improvement Project Phase II</i>	
Break down of Transfers from the Ministry of Water, Sanitation and Irrigation			
<b>a.</b>	Government Counterpart Funding	Bank Statement Date	Amount (KShs)
		8-Jul-20	19,363,774
		17-Mar-21	25,000,000
		<b>Total</b>	<b>44,363,774</b>
<b>b.</b>	Direct Payments	Bank Statement Date	Amount (Kshs)
			Indicate the FY to which the amounts relate
		<b>Total</b>	<b>0</b>
<b>c.</b>	Others	Bank Statement Date	Amount (Kshs)
			Indicate the FY to which the amounts relate
		<b>Total</b>	<b>0</b>
		<b>TOTAL(a+b+c)</b>	<b>44,363,774</b>

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**ANNEX 3A - ANALYSIS OF PENDING BILL**

Contracts	Original Amount (KSHS)	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020/21
<b>Construction of civil works</b>				
Construction of Mwiki & Clay works Reticulation sewers	269,121,090	19th March 2021	232,000,940	37,120,150
Construction of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	323,111,699	3rd February 2021	278,544,569	44,567,130
<b>Sub-Total</b>	<b>592,232,789</b>	-	<b>510,545,509</b>	<b>81,687,280</b>
<b>Supply of goods</b>				
Upgrade of ICT Systems for Nairobi City Water and Sewerage Company	89,290,135	14th October 2020	89,290,135	-
Supply and delivery of Operational Vehicles for Nairobi City Water and Sewerage Company	62,977,234	15th October 2020	61,891,420	1,085,814
<b>Sub-Total</b>	<b>152,267,369</b>	-	<b>151,181,555</b>	<b>1,085,814</b>
<b>Supply of services</b>				
Consultancy Services for Detailed Design and Construction Supervision for Rehabilitation and Expansion of Dandora Estate Sewerage Treatment Plant (DESTP) Inlet Works	1,721,084	25th June 2020	1,721,084	-
Consultancy Services for Design Review and Construction Supervision of Mwiki, Clayworks, Eastern and Western Nairobi Reticulation Sewers	7,848,423	14th August 2020	6,486,300	1,362,123
Consultancy Services for Design Review and Construction Supervision of Kahawa West, Githurai 44 & 45 and Kahawa Sukari Reticulation Sewers	44,873,691	16th June 2020	44,232,411	641,280
<b>Sub-Total</b>	<b>54,443,198</b>	-	<b>52,439,795</b>	<b>2,003,403</b>
<b>Grand Total</b>	<b>798,943,356</b>	-	<b>714,166,859</b>	<b>84,776,497</b>

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**ANNEX 3B - ANALYSIS OF PENDING STAFF BILLS**

The project did not have any pending staff bills because the project team comprises AWWDA staff and all their costs are paid by the institution.

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**ANNEX 3C - ANALYSIS OF OTHER PENDING PAYABLES**

The project did not have any other pending payable

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**ANNEX 4 – SUMMARY OF FIXED ASSETS REGISTER**

Asset class	Opening Cost (Kshs) 2020/21	Donations in form of assets (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)	(d)	(e)= (a)+ (b)+c-(d)+(-)d
Goods	0	0	151,181,556	0	0	151,181,556
Works	0	0	-	0	0	-
services	0	0	52,439,794			52,439,794
<b>Total</b>	-	-	<b>203,621,350</b>	-	-	<b>203,621,350</b>

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**APPENDICES**

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30<sup>th</sup> June 2021
- iii. Board of Survey Report
- iv. Special Deposit Account(s) reconciliation statement(s)
- v. GOK IFMIS comparison Trial Balance