

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 14 MAR 2024 DAY: Thurs

OF BY: Hon Naomi Wago, mp  
Deputy majority whip  
A. Shubuko

ORDER AT THE TABLE:

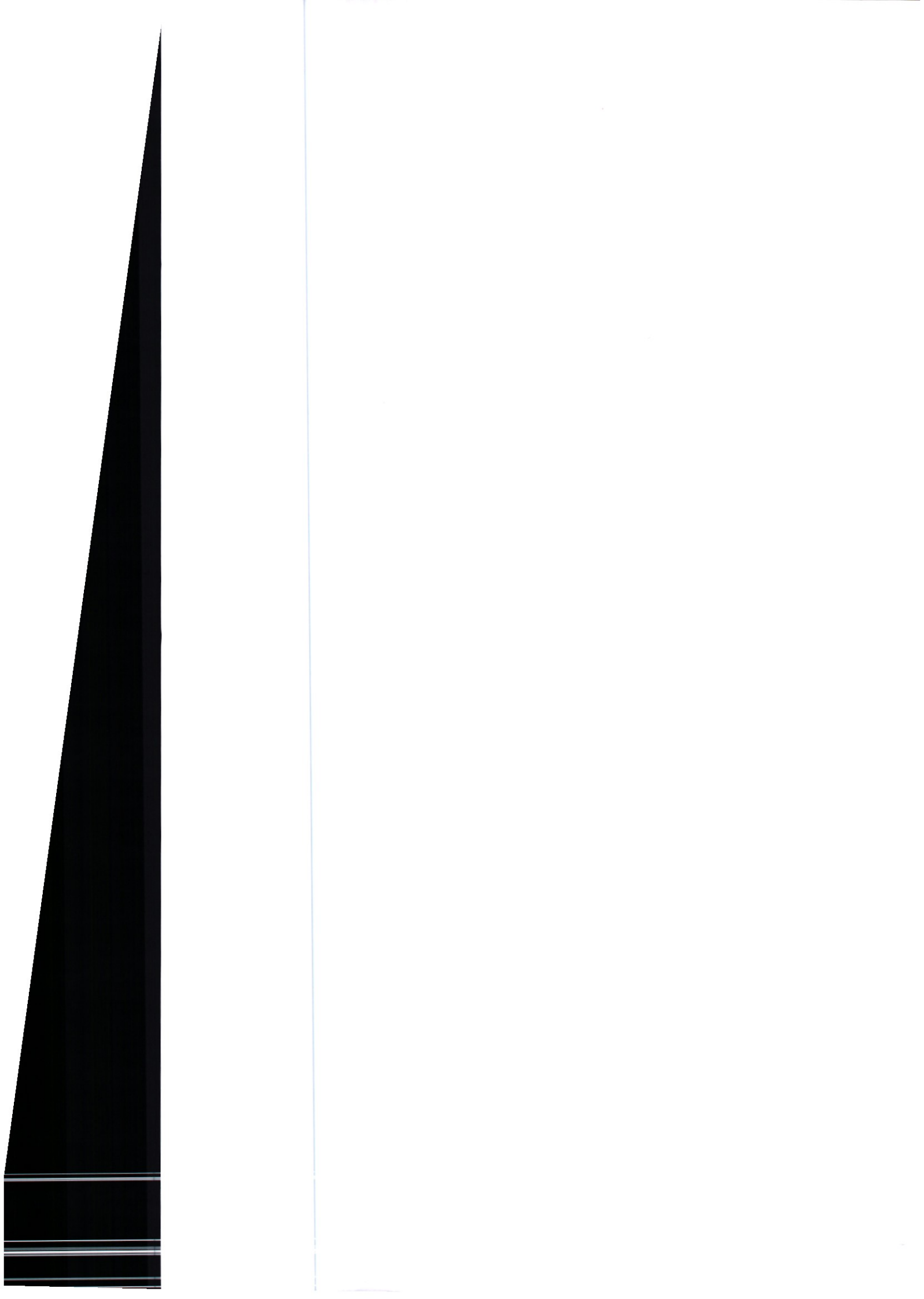
**THE AUDITOR-GENERAL**

**ON**

**NORTHERN COLLECTOR  
PHASE 1 – ADDITIONAL REHABILITATION  
AND DEVELOPMENT OF THE NETWORK  
PROJECT (CREDIT NUMBER CKE-1074)**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**ATHI WATER WORKS DEVELOPMENT  
AGENCY**





**PROJECT NAME: NORTHERN COLLECTOR PHASE 1: WATER SUPPLY EXTENSION PROJECT AND  
ADDITIONAL REHABILITATION AND DEVELOPMENT OF THE NETWORK**

**[FUNDED BY AGENCE FRANCAISE DE DEVELOPMENT]**

**Implementing Entity: ATHI WATER WORKS DEVELOPMENT AGENCY**

**PROJECT CREDIT NUMBER: CK 1074**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023**

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

**Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Dev  
of the Network  
Reports and Financial Statements  
For the financial year ended June 30, 2023**

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## 1. Acronyms and Glossary of Terms

AWWDA	Athi Water Works Development Agency
CBK	Central Bank of Kenya
GOK	Government of Kenya
GPO	General Post Office
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MDAs	Ministries, Departments and Agencies
NT	National Treasury
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Comparative FY	Financial year preceding the current financial year

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**2. Project Information and Overall Performance**

**1.1 Name and registered office**

**Name:** The project official name is Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network

**Objective:** The key objective of the project is to expand Nairobi water supply capacity in order to address water demand up to the year 2025 by:

- a) Increasing capacities of raw water transfer, treatment and treated water transfer of North Thika
- b) Rehabilitation and expansion of water distribution system of Nairobi
- c) Technical and Administrative strengthening of the water service provider.

**Address:** The project headquarters offices are in Nairobi, Kenya

The address of its registered office is:

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

**Contacts:** The following are the Project Contacts:

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

**2.2 Project Information**

Project Start Date:	The Project start date is 17 <sup>th</sup> January 2014
Original Project End Date:	The Project end date was 31-Dec-2018
Revised Project End Date	The Revised Project End date is 31 <sup>st</sup> December 2023
Project Manager:	The Project Manager is Eng. Joseph Kamau
Project Sponsor:	The Project Sponsor is the Agence Francaise De Development

### 2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water & S Irrigation
Project number	CK 1074
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access to clean water by 140,000m <sup>3</sup> /day for Nairobi
Achievement of strategic goals	The project management aims to achieve the goals through the following i. Scale up the water transfer, treatment and transport capacity of "North Thika" drinking water supply system ii. Restructure and extend Nairobi's drinking water supply system. iii. Build the operators capacities for the technical and management of the service.
Other important background information of the project	Some of the components of the project are co-financed with a loan from

Current situation that the project was formed to intervene

The project was formed to intervene in the following areas:

#### i) Production Component.

The water resources Master Plan validated by the Ministerial Meeting of 18<sup>th</sup> September 2012 provides for six investment phases until the 2030 deadline.

The present project corresponds to the second phase, i.e., the development of Nairobi's "North Thika" drinking water supply system (Northern Collector) the following infrastructure:

- New tunnels and pipes to transfer raw water from the Irati, Cikigio, Maragua and Thika rivers to the existing Ndakaini reservoir or Thika dam;
- New pipeline (42 km-long, DN 1,300) to transfer raw water between Ndakaini reservoir (Thika dam) and the new Kigoro treatment plant;
- Construction of a new water treatment in Kigoro /Nairobi (treatment capacity of 141,000m<sup>3</sup>/day);
- New pipeline (17km-long, DN 1,000) to transfer treated water between Kigoro plant and the Kabete reservoir to the West of Nairobi.

#### ii) Distribution Component

The project will improve the drinking water supply system in the City of Nairobi by rehabilitating and extending the network and developing access to drinking water in informal neighbourhoods. The feasibility study for this component recommends

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Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation
	<p>reinforcing or replacing 107km of network with a variable diameter (DN 150 to 800), rehabilitating three pumping stations and building three new reservoirs and pressure control system.</p> <p>The project also comprises operations to connect 180,000 residents in six informal sectors on the outskirts of the city.</p> <p><b>iii) Capacity building Component</b></p> <p>This component aims to improve the technical and administrative management of the services. It will also concern administrative losses, action targeting large consumers, defective meters, billing, collection and physical losses, thanks to improved pressure control and a systematic search for undetected leaks made possible through continuous distribution</p>
Other important background information of the project	<p><u>Project Financing &amp; Component</u></p> <p>The Project follows the Feasibility Study and Master Plan for developing New Water Sources for Nairobi and Satellite Towns (egis/MIBP JV, 2012) proposed a number of water sources to augment the existing sources in order to meet the present and future water demand for Nairobi metropolitan areas.</p> <p>The Project Financing is estimated at Euro 100 million.</p>
Project duration	The project started on 17th January 2014 and is expected to run until 31-Dec-2024

## 2.4 BANKERS

The donor funding is both through direct method and Project Account. A Project Designated Account held by the Central Bank of Kenya was opened and AWWDA has also opened a Project Account.

The following are the bankers for the current year:

Kenya Commercial Bank- Account No 1279693258

## 2.5 AUDITORS

The Office of the Auditor General  
 Kenya National Audit Office  
 Anniversary Towers, University Way  
 P.O BOX 30084-00100  
 NAIROBI

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2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng Michael Thuita	Chief Executive Officer	B.SC. MIEK, P. Eng	Accounting Officer
Eng Joseph Kamau	Project Coordinator	B.Sc. Civil Engineer	Project coordinator
Eng Bonnie Nyandwaro	Project Engineer	B.Sc MIEK, P. Eng	Coordination of the day-to-day activities of the entire Program
Dickson Nyongesa	Principal Engineer	B.Sc. Civil Engineer	Coordination of the day-to-day activities
Janet Langat	Principal Procurement officer	B.B.A, MA, CIPS	Management of the Procurement functions of the program
Paul Muchai	Principal Accountant	B.com CPA 11	Management of the Finance functions of the program.

2.7 Funding summary

The project duration is nine years running from 2014 to 2023 with an approved budget of Euros 100 million equivalent to about Kshs 11.242 billion.

The funding summary is as per the table below:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date (30 <sup>th</sup> June 2023)		Undrawn balance to date	
	Donor currency	Kshs	Donor currency Kshs	Kshs	Donor currency Kshs	Kshs (Million)
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Grant						
Insert name of donor	N/A	N/A	N/A	N/A	N/A	N/A
(ii) Loan						
Proceeds from Loan from Agence Francaise Development	100,000,000	11,242,000,000	91,286,032	10,262,375,760	8,713,968	979,624,240
<b>Total</b>	<b>100,000,000</b>	<b>11,242,000,000</b>	<b>91,286,032</b>	<b>10,262,375,760</b>	<b>8,713,968</b>	<b>979,624,240</b>

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**B. Application of Funds**

Application of funds	Amount received to date – (30th June 2022)		Cumulative amount paid to date – (30th June 2022)	Unutilised balance to date	
				(30th June 2022)	
	Donor currency	Kshs	Kshs	Donor currency	Kshs
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
N/A	N/A	N/A	N/A	N/A	N/A
(i) Loan					
Proceeds from Loan from Agence Francaise Development	83,958,467	10,262,375,760	10,322,002,673	-487,819	-59,626,913
Miscellaneous receipts					60,734,562
<b>Total</b>	<b>83,958,467</b>	<b>10,262,375,760</b>	<b>10,322,002,673</b>	<b>-487,819</b>	<b>1,107,649</b>

**2.8 Summary of the overall project performance**

In the financial year 2022/2023 the project had a budgeted disbursement of Kshs 2.5 billion. The actual loan received as at 30<sup>th</sup> June 2023 was Ksh 1.729 million. This represents 69.2% loan disbursement for the year. The project performance as at 30<sup>th</sup> June 2023 is as follows:

**i) Production Component.**

As at 30<sup>th</sup> June 2023, the following activities had been undertaken

- i. Final designs and construction details of the “design and build “water treatment plant was completed at 98% progress – The Water Treatment Plant is currently undergoing testing and commissioning.

**ii) Distribution Component**

As at 30<sup>th</sup> June 2023, the following activities had been undertaken:

- i. Works for the construction of the 55.2 km Ndakaini- Kigoro- Gigiri transmission pipeline continued and laying of an additional 33.82 km of pipes was completed. The project is at 78% completion. Acquisition of the Ngethu – Gigiri section has been completed and the contractor has been mobilized to the acquired sections.

The main challenges experienced in the year included:

- i. Delay in releasing funds for VAT reimbursement
- ii. Land acquisition challenges on the treated water section from Ngethu to Gigiri.

**2.9 Summary of Project Compliance:**

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

### **3. 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.

The key development objectives of the project are to Expand water Capacity for Nairobi City through Construction of the Northern Collector Phase 1 and additional rehabilitation and developments of the networks. This will improve the access to quality water supply in Nairobi City.

#### **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:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
AFD Supported Northern Collector	Expand water Capacity for Nairobi City through Construction of the Northern Collector Phase 1 and additional rehabilitation and developments of the networks	Increased Water coverage of water in Nairobi city	% Increase in water coverage in Nairobi City	In FY 20/2023 the Water Treatment Plant was completed and 24Km of treated water pipelines from Ngethu to Gigiri tanks has been laid.

## **4. Environmental and Sustainability reporting**

### **Introduction**

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 the environment on a long-term basis as well acceptable social norms over the long term. It is also defined as the ethical obligation of companies/organizations to protect natural resources, reduce pollution and other forms of environmental harm.

It involves making decisions and taking actions that are in the interest 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.

As such, Athi Water Works Development Agency (AWWDA) 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.

In the performance of its mandate, the Agency is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

It is committed to environmental conservation and protection as well as safeguarding the health and safety of workers within its premises, projects and project areas. 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.

### **4.1 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.

## **4.2 Environmental performance**

### **Introduction**

AWWDA developed and operationalized the integrated workplace environment health and safety policy statement which states the organization's commitment to protect the environment, preserve the health and safety of AWWDA employees and communities, and ensure safe development of water and sanitation infrastructure. This policy statement provides a framework for developing environmental objectives, targets and programs.

The organizational service charter also includes the environmental considerations such as the enforcement of water quality monitoring.

AWWDA subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination (Amendment) Act of 2015. This is done in order to identify both potential positive and negative impacts. The process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards.

Some of the environmental and social impact assessment reports prepared, approved and licensed by NEMA within the financial year include:

- Proposed Motoine Trunk Sewer Improvement Project Phase II (NaRSIP II)
- Proposed reticulation sewers for Juja and Thika South area
- Proposed construction of Kabete Water Treatment Plant- Mombasa Road Trunk Distribution Main
- Proposed Construction of Kangema Town Sewerage Project
- Proposed Construction of Kigumo Town Sewerage Project
- Proposed Construction of Kangare Town Sewerage Project

AWWDA has in place an operational Environmental and social safeguards division within the Water and Sanitation department responsible for Environmental and Social compliance and Management. The team comprises of both sociologists and environmentalists. They are tasked with managing the Environmental and social aspects of the organization and community.

### **Pollution Prevention and Abatement**

AWWDA Complies with various legislations related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules).

Programmes are in place to ensure that all operations are in compliance with these regulations. For instance, water abstraction permitting, effluent discharge planning and licensing, and workplace certification among others. The following are some of the measures employed by the organization to mitigate pollution

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- All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.
- All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans and environmental conservation.
- All motor vehicles are being regularly serviced as per manufacturer's recommendations.
- Compliance to the Occupational, Health and Safety Act, 2007
- Conformance to EMCA( Air quality regulations), 2014
- Compliance to EMCA ( Noise and Vibrations pollution control), 2009
- Compliance to the national environmental Action Plan, 2009-2013
- The penal code chapter 63.

**Climate Change Mitigation and adaptation**

Climate change poses a significant challenge to the water sector impacting both water quality and availability. To mitigate climate change, AWWDA advocates for environmental sustainability and maintaining the natural ecosystem services of the environment. AWWDA has also liaised with various stakeholders to ensure that all projects within its jurisdiction comply with environmental legislations, regulations and Acts. The following are some of the measures taken by the Agency to mitigate climate change:

- I. Projects such as the Rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency by reducing the amount of GHG emission into the atmosphere. Efforts are also being directed towards exploring the possibility of trapping methane gas generated from the sewerage treatment plants for energy use.
- II. Oloitoktok Water Supply project is another project that aims at mitigating climate change by utilizing solar energy in its day to day operations, therefore complying with the renewable energy Act, 2019.
- III. AWWDA is also implementing large and medium dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change.
- IV. Water conservation through the use of water storage tanks- The organization has donated plenty of water tanks to community projects and schools.
- V. Waste water reuse and recycling-This involves treating of waste water and directing it to rivers. Community members are able to use the water for various purposes such as irrigation.
- VI. Flood management- Projects such as NCT have been constructed to collect flood water. Therefore increasing the availability and quantity of clean drinking water.
- VII. Tree planting- The agency has carried out various tree planting exercises as a climate change adaption measure to act as carbon sinks.

**Promoting Environmental protection and conservation through partnerships with stakeholders**

Kenya has experienced prolonged droughts and as a result, livestock, nature and biodiversity loss has been witnessed to a higher magnitude as compared to other decades. In response to this, the government has initiated a national tree planting and restoration campaign to raise the forest cover by 2032.

AWWDA in association with other stakeholders such as County governments, community members, WRA, NEMA, WRUA, NGOs, private sector, local administrations etc have teamed up to carry out afforestation activities within its area of jurisdiction.

The following are the tree planting exercises carried out within the FY 2022-2023.

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- I. Karimenu II Dam Phase I, II & III Tree Planting Drive conducted at the project site on June 2022, 2<sup>nd</sup> December 2022 and 28<sup>th</sup> April 2023
- II. Restoration of Sasumua Water Catchment Tree Planting Campaign
- III. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted at Lamu County on 25<sup>th</sup> April 2023
- IV. Ministry of Water, Sanitation and Irrigation National Tree Planting and Restoration Campaign conducted in Nakuru, Itare Dam Water Catchment on 15<sup>th</sup> June 2023

**Table 1: Tree planting exercise FY 2022-2023**

S/NO	PROJECT	NO. OF TREES	AFFORESTATION AREA	STAKEHOLDERS
I.	Karimenu II Project	3600	Within the project. Borrow pits A, B and Quarry A Borrow pits C and Coffee factory Site	AWWDA, Stanbic Bank, Judiciary, Rodi Kenya, RUJWASCO and community.
II.	Sasumua Water Catchment	10,000	Catchment Area	AWWDA, Nairobi and Murang'a water, Central Rift Water Works Agency and community
III.	Lamu Sandunes in Lamu County	1,000	Catchment Area	AWWDA Ministry of water and Irrigation, Lamu County, Coast Water and Sewerage Company and Water Trust Fund and community
IV.	Nakuru, Itare Dam Water Catchment	1,000	Catchment area	AWWDA Ministry of Water and Irrigation, county government and water service providers and community

**Social economic activities**

**Socio-economic impact assessment**

It is the systematic analysis used during EIA to identify and evaluate the potential socio-economic and cultural impacts of a proposed development on the lives and circumstances of people, their families and their communities. If such potential impacts are significant and adverse, SEIA can assist the developer, and other parties to the EIA process, find ways to reduce, remove or prevent these impacts from happening. It also contributes to the ongoing management of social issues throughout the whole project development cycle, from conception to post-closure.

AWWDA focuses on social impact assessment to enhance the benefits of projects to impacted communities. This is also necessary for the project to earn its 'social license to operate'.

Enhancing benefits covers a range of issues, including: modifying project infrastructure to ensure it can also service local community needs; providing social investment funding to support local social sustainable development and community visioning processes to establish strategic community development plans; a genuine commitment to maximizing opportunities for local content (i.e. jobs for local people and local procurement) by removing barriers to entry to make it possible for local enterprises to supply goods and services; and by providing training and support to local people.

Where people's assets and properties are affected, AWWDA ensures that there is prior and informed consent from the project affected persons; that there is prompt and adequate compensation for any loss; and where people are

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resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

Other social sustainability activities include:

- i. Stakeholder engagement and public participation
- ii. Livelihood restoration
- iii. Community benefits/ projects
- iv. Economic development through initiatives such as ablution blocks that are handed over to CBOs

**Environmental monitoring and reporting**

AWWDA has established various mechanisms of tracking the performance of Environment, Health and Safety (EHS) for the various projects under implementation. Project implementation units are at the fore front of ensuring compliance to EHS. Monthly/quarterly and annual reports, site inspections, EHS monthly meetings, EHS committees and audits form part of EHS monitoring and reporting.

**i. EHS committees, inspections and audits**

The environment and social safeguard unit has established an EHS committee for each project whose main objective is to carry out routine inspections on specific sites with a view to check the contractor's level of EHS compliancy. This includes conformity to Occupational Health and Safety guidelines and the Environmental Management and Coordination (Amendment) Act of 2015. The EHS committee also carries out periodic environmental audits which informs the contractor on his level of compliance and the improvements that need to be done in order to maintain a safe workplace and promote environmental and social sustainability of the project.

The EHS Committees also holds monthly EHS meeting on site. These meetings are informed by the cumulative inspections carried out during that month. The output of the meetings is a monthly EHS performance and monitoring report that enables AWWDA to keep track of the project's EHS performance.

**ii. Environmental and social sustainability management systems**

AWWDA aims at managing the various environmental and social aspects associated with different projects under implementation by developing and implementing project specific management and monitoring plans.

**iii. Environmental and Social Management Plans**

An Environmental and Social Management Plan (ESMP) provides the remedial measures to be taken, the responsible person(s) for execution, and the monitoring activities to be undertaken during the construction, operational and decommissioning phases.

An indication of the timing for implementation and the cost involved is also provided. It is a practical and achievable plan of management to ensure that any environmental impacts during the design, planning and construction phase are minimized. All contractors working with AWWDA submits an ESMP for their respective projects to AWWDA for review. AWWDA ensures that the ESMP is implemented at each phase of the project in order to minimize harmful occurrences to the environment, community members and the employees.

**iv. Health and Safety Management Plans**

In accordance with the requirements of the Occupational Safety and Health Act 2007, a Health and Safety Management Plan (HESMP) is prepared for each project being implemented by AWWDA. The objective of a HESMP is to establish safe working practices and standards, which are employed on site and to detail the organizational requirements and obligations of the contractor.

**v. Grievance redress mechanism**

AWWDA recognizes the need for a Grievance Redress mechanism (GRM) throughout the project implementation period to identify disputes in good time and allow for them to be resolved in a transparent and accountable manner. Compensation based disputes are issues likely to occur during and after project implementation period, hence the need for GRM system.

The need for a GRM is obligated by the Land Act 2012 which recognizes the right of the affected persons to refer their disputes to the Land and Environment Court, while the Land Policy advocates for negotiation, mediation and arbitration to reduce the number of cases that end up in the court system and delayed justice. Similarly, project financing institutions guidelines and policies also call for appropriate and accessible grievance handling mechanisms for project affected persons.

**vi. Gender Mainstreaming**

Gender mainstreaming involves the integration of gender perspective into the preparation, design, implementation, monitoring and evaluation of policies, regulatory measures and programmes, with a view to promoting equality between women and men, and combating discrimination.

AWWDA and its many projects have both male and female employees. The organization has identified the following measures to enhance gender mainstreaming

- Both male and female employees are involved in decision making
- Equal access to and utilization of services
- Use of gender sensitive information
- Equal treatment is integrated for both men and women is practiced

**vii. Prevention of gender-based violence**

AWWDA is integrating GBV trainings within the work sites to ensure that cases of sexual harassment and sexual exploitation and abuse within the work places are mitigated against. AWWDA has a GBV committee which is championing this together with a number of consultants who undertake sensitization activities. This will ensure that cases of sexual harassment are reported and that women/men will not fear reporting such cases due to fear of victimization.

**Conclusion**

AWWDA is committed to Environmental Conservation and safeguard of the Health and Safety of employees as well as communities within the organization's areas of operation. The Agency continuously works towards compliance with the national laws as well as international best practices relevant to the environmental and social safeguards to ensure sustainability.

**4.3 Employee welfare**

*The project management is by AWWDA staff and therefore the entity's employee welfare policies and guidelines applies 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 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 work plans and the Government's performance contracting tool enables employees set their targets and eventually evaluated through annual appraisals. The evaluation enables employees of the Agency to be up skilled, helped or otherwise redeployed and up scaled.*

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

#### **4.4 Market place practices-**

AWWDA has ensured that responsible competition practices within the Agency are practised by promoting ethical behaviour, transparency, and compliance with relevant laws and regulations i.e., PPADA ACT 2015 and its Attendant Regulations, Multilateral and Bilateral Rules and Procedures governing Procurement of Goods Works and Services, The Executive Orders and Circulars issued from time to time by the NT, and Regulator PPRA. To address issues like anti-corruption, responsible political involvement, fair competition, and respect for competitors, the Agency has implemented several key measures:

##### **a) Responsible Supply chain and supplier relations-**

Client and Employer alliance is key towards delivery of projects, AWWDA has overtime honoured contracts and respected payment practices as a good business practice and treating suppliers responsibly as an essential aspect of building strong, sustainable, and ethical business relationships: Some of the practices include:

1. **Contract Negotiation:** The Agency engages in fair and transparent contract negotiations with its suppliers with a view of having a win-win position. Contracts clearly outline the terms and conditions, including the scope of work, pricing, delivery schedules, quality requirements, and any other relevant details that favour and are sustainable to both parties.
2. **Compliance with Contract Terms:** Once contracts are entered into, the Agency adheres to the agreed-upon terms. This includes fulfilling its obligations on timely payments by ensuring prompt and timely payment to suppliers, consultants and contractors to maintain a good relationship. Delays in payments can cause financial strain on these service providers, impacting their ability to implement projects efficiently.
3. **Clear Payment Policies:** In compliance with the Agency's service charter, there are clear payment policies that specify payment terms, methods, and timelines which are agreed upon during contract negotiations.

4. Automated Payment Systems: The agency has implemented automated payment systems ERP that streamline the payment process, reducing the chances of errors and delays.
5. Communication and Transparency: Maintaining open and transparent communication with suppliers. If any payment delays are anticipated, the organization informs the suppliers in advance and works together to find a mutually acceptable solution.
6. Early Payment Programs: The agency offers early advance payments to suppliers who may benefit from faster access to funds upon the provision of an advance payment guarantee. YWPLD are major beneficiaries to this program as part of mainstreaming in public procurement.
7. Supplier Diversity and Inclusion: The agency practices supplier diversity and inclusion by providing opportunities to small and minority-owned businesses. (YAGPO Groups) by allocating 30% of its procurement budget annually.
8. Supplier Performance Evaluation: Regularly evaluating supplier performance to ensure that they meet the agreed-upon standards. Feedback on performance helps suppliers improve their processes, ultimately benefiting both parties.
9. Conflict Resolution Mechanism: The agency has in place a conflict resolution mechanism to address any disputes or disagreements with suppliers and contractors promptly and fairly.
10. By implementing these measures, the Agency has created a strong foundation for responsible competition practices, fostering trust among stakeholders and contributing to a sustainable and ethical business environment.

**b) Responsible ethical practices**

To address issues like anti-corruption, responsible political involvement, fair competition, and respect for competition, the Agency has implemented several key measures:

1. Code of Conduct and Ethics: The Agency has established a comprehensive code of conduct that clearly outlines the expected behaviour of all staff in the institution and for Supply Chain Management staff the practising license issued by KISM explicitly prohibits corrupt practices, bribery, and unethical behaviour and ensures compliance by all stakeholders. The license also ensures that the supply chain staff are in good standing prior to renewal.
2. Compliance Reports: The Agency Prepares statutory compliance reports to the Various Regulatory Bodies i.e., PPRA, NT, and EACC and reports all the awarded contracts through the PPIP Portal (Public Procurement and Information Portal) which is accessible by the public with disclosures of Beneficial Ownership Information for all awarded contracts.
3. Anti-Corruption Policies: The Agency implements policies to prevent corruption, such as anti-bribery and anti-money laundering policies. These programs include training on anti-corruption measures and responsible political involvement which is a continuous exercise.

4. Fair Competition Practices: The Agency promotes fair competition and adheres to antitrust laws to prevent monopolistic behaviour, price-fixing, bid-rigging, or other practices that harm competition by issuing Requests for Quotations to multiple suppliers in its registered list. For large complex and large contracts, competition is promoted through open competitive bidding for both National and International bidders based on the threshold.

5. Internal Controls and Audits: The Agency implements internal controls and conducts regular Internal Audits, External Audits and ISO audits to monitor compliance with policies and identify any potential violations. Observations and recommendations from these audits are implemented to improve and ensure best practices within internal processes.

**c) Regulatory impact assessment**

AWWDA has ensured that responsible engagement with its stakeholders is practised within the Agency as well as with our external stakeholders by promoting transparency and compliance with relevant laws and regulations through various measures as follows:

1. Supplier Appraisals and Sensitization Workshops: The Agency conducts annual Sensitization workshops and due diligence on suppliers and business partners to ensure that they adhere to responsible business practices these safeguards both parties' interests as it keeps the public informed on the programs and projects undertaken by the Agency as well as the expectation of the potential suppliers in order to qualify for the available opportunities.

2. Training and Awareness on the PPADA ACT 2015 and Ethics: For the purpose of keeping staff, Board Members and Suppliers informed of the most recent ethical standards, compliance requirements and best practices, the Agency undertakes training and awareness on PPADA Act and ethical and integrity practices.

3. Implementation of a Robust Service Charter - that attends to the needs of both internal and external customers prudently to avert any delays in responses to queries and clarifications that may arise during the bidding period for procurement of goods, works and services by the Agency thus ensuring its stakeholders are properly informed at all times.

4. Clear and Comprehensive Advertisements - The Agency places its adverts for opportunities in the print media and its websites as well as the Public Procurement website ([www.tenders.go.ke](http://www.tenders.go.ke)) which are based on accurate and verifiable information about the projects being implemented by the Agency, this is in line with provisions of section 74 of the PPAD Act and its attendant regulations. The Adverts are also detailed and clearly indicate the contact details for purposes of clarification and the mode of submission of tenders by specifying whether the submission shall be done electronically or manually. Adverts relating to preference and reservations scheme state that such tenders are reserved specifically for small and micro enterprises and for disadvantaged groups registered with the National Treasury or regions, as appropriate.

By publishing most opportunities this enhances competition and ensures value for money in the procurement processes.

5. Disclosure of Awarded Contracts in the PPIP (Public Procurement Information Portal)

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The Public Procurement Information Portal is an online platform provided by Public Procurement Regulatory Authority (PPRA) for publication of contract awards and tender notices by Procuring Entities. This enhances transparency and accountability to Stakeholders.

By following these principles and practices, AWWDA has built trust with their target audience, demonstrated ethical conduct, and contributed to a more responsible and sustainable marketing and advertising landscape through the advertisement of all tender opportunities either in the print media, website or its social media platforms hence safeguarding citizen and stakeholder's rights through regular and comprehensive engagements.

**4.5 Community Engagements**

During the 2022/2023FY AWWDA continued to ensure enhanced access to water across our area of jurisdiction.

**Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network**

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**For the financial year ended June 30, 2023**

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**5. Statement of Project Management Responsibilities**

The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) 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, 2023.

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 Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) 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 Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) 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, 2023, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) 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 Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) 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 Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) on 31<sup>st</sup> August 2023 and signed by them.



Chief Executive Officer  
Name: Eng. Michael M. Thuita, MBS



Project Manager  
Eng. Joseph Kamau



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

**Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development  
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# REPUBLIC OF KENYA

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**HEADQUARTERS**  
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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON NORTHERN COLLECTOR PHASE 1 – ADDITIONAL REHABILITATION AND DEVELOPMENT OF THE NETWORK PROJECT (CREDIT NUMBER CKE-1074) FOR THE YEAR ENDED 30 JUNE, 2023 - 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, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Northern Collector Phase 1 - Additional Rehabilitation and Development of the Network Project set out on pages 1 to 24, which comprise of the statement of financial assets as at 30 June, 2023

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*Report of the Auditor-General on Northern Collector Phase 1 - Additional Rehabilitation and Development of the Network Project (Credit No. CKE-1074) for the year ended 30 June, 2023 – Athi Water Works Development Agency*

and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. 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 matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Northern Collector Phase 1 - Additional Rehabilitation and Development of the Network Project as at 30 June, 2023 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 Credit Number CKE 1074 between Agence Francaise De Development and the Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special accounts statements present fairly, the special accounts transactions and the closing balance has been reconciled with book balances

### **Basis for Qualified Opinion**

#### **Non-Disclosure of the Government of Kenya funding in the Financial Statements**

The financial statements under review did not include the portion for the government contribution to the project which was budgeted as Kshs.1,249,000,000 whereas the actual amount received for the period total Kshs.775,161,950. Management did not provide satisfactory explanation for the non-disclosure of the receipts.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2023 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Northern Collector Phase 1 - Additional Rehabilitation and Development of the Network Project Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public

Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

## **2. Budgetary Control and Performance**

The statement of comparative budget and actual amounts for the year ended 30 June, 2023 reflects final receipts budget and actual on comparable basis of Kshs.3,729,181,379 and Kshs.2,960,119,931 respectively resulting in an underfunding of Kshs.769,061,448 or 21% of the budget. Similarly, the Project spent Kshs.2,958,110,069 against the budget amount of Kshs.3,729,181,379 resulting to an under expenditure of Kshs.771,071,310 or 21% of the expenditure budget.

The under-funding and under-expenditure affected the planned activities of the Project and may have impacted negatively on service delivery to the public.

### **Other Information**

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

The other information does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

The Project Management did not maintain a specific project bank account for the Government of Kenya contribution to the project as funds received were credited to the Agency's development bank account instead of a separate project account. It was therefore not possible to trace the receipts to the cash book and in the bank statement. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project

at the Central Bank of Kenya unless it is exempted by Cabinet Secretary in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account.

In the circumstances, Management was in breach of the law.

## **2. Low Utilization of Kigoro Water Treatment Plant**

The contract works for the construction of the Kigoro Water Treatment Plant was awarded to a firm vide contract No. AWSB/AFD/DB/WKTP/2014 at the sum of Kshs.1,116,019,524 and Euros 32,272,190 inclusive of tax. The contract commencement date was 16 May, 2016 with the completion date of 16 May, 2018.

Physical verification conducted on 4 October, 2023 revealed that the plant was only operating intermittently at about 30% supplying water to the Ngethu Treatment Plant for a period of thirty-six (36) months since its completion date. Despite the limited use, the plant was estimated to incur monthly cost of operation of the treatment plant amounting to Kshs10.5 Million. This includes the indirect cost of electricity for running and maintenance of electro-mechanical equipment and the entire plant, the administrative costs for the personnel salaries, and other operating expenses. Further, the contractor for the construction of the Kigoro Water Treatment Plant charged Euros 341,166.01 about Kshs.53,000,000 'Cocooning' charges due to delay in the implementation of other complementary phases.

Under the circumstances, the treatment plant will continue to incur extra costs at the expense of the Agency if the pipe laying from Kigoro to Gigiri is not complete.

## **3. Delay in Compensation of Persons Affected by the Project (PAPs)**

Review of the documents provided revealed that fourteen (14) land owners are yet to be fully compensated, (twelve (12) persons compensated at about 75%, 1PAP not eligible for payment, 1 PAP not compensated) for land acquired by Athi Water Works Development Agency for the development of the Project, while nineteen (19) land owners for way leave are pending compensation. The reasons provided for the delay include a lack of ownership records and family disputes. This has caused significant delays in project implementation which may lead to escalation in cost and lack of value for money.

## **4. Delay in Completion of Ablution Blocks**

The statement of receipts and payment reflects the acquisition of non-financial assets payments totalling Kshs.2,957,535,110. The balance includes an amount of Kshs.2,860,664,794 in respect of the construction of civil works as disclosed in Note 8 to the financial statements, out of which Kshs.50,414,880 was paid to a contractor for the construction of ten (10) sanitation blocks within Nairobi informal settlements in Kawangware, Mukuru kwa Reuben, Kibera, Huruma and Mathare. The contract was awarded to a contractor at an original contract price of Kshs.70,631,818.26. The date of commencement was 18 May, 2018 for one year period ending 17 May, 2019. However, the project experienced delays in its implementation which led to an extension of the contract period to 14 December, 2022. Further, the cost increased to Kshs.85,823,572.97, an increase by 22% of the initial contract sum.

Review of project progress reports revealed that as at 30 June, 2023, the project progress was estimated at 86% completion while the project contract period had lapsed. Further, available information revealed that the project had been subcontracted to another company to complete after the main contractor experienced cash flow challenges. However, at the time of the audit in October, 2023, construction of five (5) of the blocks in New Blue Kibera, Fort Jesus Kibera, Dam Site Kibera, Kambi Safi in Mathare, and Madoya in Huruma were incomplete. Further, several project sites lack sewer and water supply connections thus affecting the efficiency of the bio-centers.

In the circumstances, there was undue delay in implementation of the project leading to an escalation of costs, implying that the public may not get value for the money.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 Financing Agreement Number CKE-1074 dated 22 October, 2014 between the Agence Francaise Development (AFD) and the Republic of Kenya for the Northern Collector Phase 1 and Additional Rehabilitation and Development of the Network Project, 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 controls, risk management and governance.

In preparing the financial statements, Project's 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 Project Management is aware of the intention to terminate the Project or to cease operations.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 controls that are identified during the audit.

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL


Nairobi

13 December, 2023

**7. Statement of Receipts and Payments for the year ended 30th June 2023**

	Note	FY 2022/2023			FY 2021/2022			Cumulative to-date
		Receipts and payments controlled by the Entity (Kshs)	Payments made by Third Parties (Kshs)	Total (Kshs)	Receipts and payments controlled by the Entity (Kshs)	Payments made by Third Parties (Kshs)	Total (Kshs)	
<b>RECEIPTS</b>								
Transfer from Government Entities	1							
Proceeds from Domestic and Foreign Grants	2			-	-	-	-	-
Loan from External Development Partners	3	1,078,323,840	1,729,733,754	2,808,057,594	120,480,235	362,907,842	483,388,077	10,262,375,760
Miscellaneous Receipts	4	3,704,798	-	3,704,798	1,487,173		1,487,173	60,734,562
<b>TOTAL RECEIPTS</b>		<b>1,082,028,638</b>	<b>1,729,733,754</b>	<b>2,811,762,392</b>	<b>121,967,408</b>	<b>362,907,842</b>	<b>484,875,251</b>	<b>10,323,110,322</b>
				-				-
<b>Less payments/Expenditure by Category</b>				-				-
Purchase of Goods and Services	6			-	-	-	-	91,248,378
Acquisition of Non-Financial Assets	8	1,228,703,568	1,729,733,754	2,958,437,322	20,462,661	362,907,842	383,370,503	10,229,295,939
Other Grants and Transfers and Payments	10	574,959		574,959	230,965	-	230,965	1,458,356
<b>TOTAL PAYMENTS</b>		<b>1,229,278,527</b>	<b>1,729,733,754</b>	<b>2,959,012,281</b>	<b>20,693,626</b>	<b>362,907,842</b>	<b>383,601,469</b>	<b>10,322,002,673</b>
<b>SURPLUS/DEFICIT</b>		<b>-147,249,890</b>	<b>-</b>	<b>-147,249,890</b>	<b>101,273,782</b>	<b>-</b>	<b>101,273,782</b>	<b>1,107,649</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, MBS



Project Coordinator  
 Name: Eng. Joseph Kamau




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


Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network  
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8. Statement of Financial Assets as at 30th June 2023


		2022/2023	2021/2022	
<b>FINANCIAL ASSETS</b>	Note			<b>Ksh</b>
<b>Cash and Cash equivalents</b>				
Bank balances	11. A	1,107,649	148,357,539	
cash balances	11. B		-	
<b>Cash Equivalents (Short-term deposits)</b>	11. C		-	
<b>Total Cash and Cash Equivalents</b>		<b>1,107,649</b>	<b>148,357,539</b>	
Accounts receivables -Imprest and Advances	12		-	
<b>TOTAL FINANCIAL ASSETS</b>		<b>1,107,649</b>	<b>148,357,539</b>	
Payables -Deposits and Retentions	13	-		
<b>NET ASSETS</b>		<b>1,107,649</b>	<b>148,357,539</b>	
<b>REPRESENTED BY:</b>				
Fund balance b/fwd	14	148,357,539	47,083,757	
Prior Year Adjustments	15		-	
Surplus/Deficit for the period		(147,249,890)	(147,249,890)	101,
<b>NET FINANCIAL POSITION</b>		<b>1,107,649</b>	<b>1,107,649</b>	<b>148,</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 31<sup>st</sup> August 2023 and signed by:

  
 Chief Executive Officer  
 Name: Eng. Michael M. Thuita, MBS

  
 Project Manager  
 Eng. Joseph Kamau

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

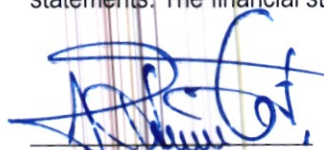


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**9. Statement of Cashflow for the period 30th June 2023**

	Note	2022/2023 Kshs	2021/2022 Kshs
<b>Receipts from operating activities</b>			
Transfer from Government entities	1		-
Proceeds from domestic and foreign grants	2		-
Miscellaneous receipts	4	3,704,798	1,487,173
<b>Subtotal</b>		<b>3,704,798</b>	<b>1,487,173</b>
<b>Payments for operating activities</b>			
Compensation of employees	5		
Purchase of Goods and Services	6		
Social security benefits	7		
Transfers to other government entities	9		
Other grants and transfers	10	574,959	230,965
<b>Subtotal</b>		<b>574,959</b>	<b>230,965</b>
<b>Net cash flow from operating activities</b>		<b>3,129,839</b>	<b>1,256,208</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	8	-2,958,437,322	-383,370,503
<b>Net cash flows from Investing Activities</b>		<b>-2,958,437,322</b>	<b>-383,370,503</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	3	2,808,057,594	483,388,077
<b>Net cash flow from financing activities</b>		<b>2,808,057,594</b>	<b>483,388,077</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>-147,249,890</b>	<b>101,273,782</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	14	<b>148,357,539</b>	<b>47,083,757</b>
<b>Cash and cash equivalent at END of the year</b>		<b>1,107,649</b>	<b>148,357,539</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 31<sup>st</sup> August 2023 and signed by:



Chief Executive Officer  
 Name: Eng. Michael M. Thuita, MBS



Project Manager  
 Eng. Joseph Kamau





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

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10. Statement of Comparative Budget and actual amounts for the year ended 30<sup>th</sup> June 2023

Receipts/Payments Item	Original Budget in Millions	Adjustments	Final Budget in Millions	Actual on Comparable Basis	Variance	% of Budget
	a	b	c=a+b	d	e=d-c	f=e/c %
<b>Receipts</b>						
Proceeds from borrowings	2,500,000,000	0	2,500,000,000	2,808,057,594	307,057,594	12%
Miscellaneous receipts	-	2,500,000.00	2,500,000	3,704,798	1,204,798	48%
Fund Balance B/F	-	148,357,539	148,357,539	148,357,539	0	0%
<b>Total Receipts</b>	<b>2,500,000,000</b>	<b>150,857,539</b>	<b>2,650,857,539</b>	<b>2,960,119,931</b>	<b>309,262,392</b>	<b>11.7%</b>
<b>Payments</b>						
Goods and Services	-	-	-	-	0	0%
Acquisition of Non-Financial Assets	2,500,000,000	150,857,539	2,650,857,539	2,958,437,322	307,579,783	11.6%
Other Grants and Transfers and Payments	-	-	-	574,959	574,959	100%
<b>Total Payments</b>	<b>2,500,000,000</b>	<b>150,857,539</b>	<b>2,650,857,539</b>	<b>2,959,012,281</b>	<b>308,154,742</b>	<b>11.6%</b>
<b>Surplus/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,107,649</b>	<b>1,107,649</b>	<b>100%</b>

  
 Chief Executive Officer  
 Name: Eng. Michael M. Thuita, MBS

  
 Project Manager  
 Name: Eng. Joseph Kamau

  
 Manager, Finance & Accounts  
 Name: CPA, Dr. Christine Mawia Jul 36  
 ICPAK Member Number: 6458

## **11. Significant Accounting Policies**

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

### **a. 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.

### **b. Reporting entity**

The financial statements are for the Northern Collector Phase 1: Water Supply Extension Project and additional Rehabilitation and Development of the Network under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

### **c. 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.

### **d. Recognition of receipts**

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

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

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

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

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

#### **iii) Other Receipts**

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

#### **iv) 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

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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.

**v) 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.

**vi) 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.

**i) 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.

**ii) Interest on borrowing**

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

**iii) 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.

**iv) 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.

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

**f. In-kind donations**

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

**g. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**h. 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

**i. Imprests and Advances**

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.

**j. Contingent Liabilities**

A contingent liability is:

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

A present obligation that arises from past events but is not recognised because:

It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

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,

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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.

**Annex 5** of this financial statement is a register of the contingent liabilities in the year.

**k. Contingent Assets**

Athi Water Works Development Agency 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 AWWDA 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.

**l. 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.

**m. 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 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.

**n. 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. 1,729,733,754 being loan disbursements were received in form of direct payments from third parties.

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**o. 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.

**p. 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.

**q. 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, 2023.

**r. Prior period adjustments**

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments on the financial statements for the year ended June 30, 2023.

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**12. Notes to the Financial Statements**

**1. Transfers from Government entities**

There were no transfers from Government entities

**2. Proceeds From Domestic and Foreign Grants**

The details of the GOK counterpart are as given under other important disclosures (18.5). There were no other Proceeds from Foreign Grants during the year.

**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	FY 22/23
<b>Loans Received from Bilateral Donors (Foreign Governments)</b>			Kshs "000"	Kshs "000"	
Insert name of foreign Government	N/A	N/A	N/A	N/A	
<b>Multilateral (International Organizations)</b>	Received from				
AFD	2015/2016	5,755	330,000	316,830	
AFD	2016/2017	20,465	-	2,300,224	
AFD	2017/2018	10,934	366,600	862,414	
AFD	2018/2019	11,809	-	1,327,294	
AFD	2019/2020	7,811	241,300	636,705	
AFD	2020/2021	5,245	-	589,563	
AFD	2021/2022	4,301	120,480	362,908	
AFD	2022/2023		-	1,730	1,730
GOK	2022/2023			1,078	1,078
<b>Total</b>		<b>66,320</b>	<b>1,058,380</b>	<b>6,398,746</b>	

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**4. Miscellaneous Receipts**

	FY 2022/2023		FY 2021/2022		Cumulative to- date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Receipts controlled by the entity in Cash	Receipts controlled by third parties	
					Kshs
Administrative fees and charges	N/A	N/A	N/A	N/A	N/A
Other receipts –Interest on Bank Deposits	3,704,798	0	1,487,173	0	60,734,562
<b>Total</b>	<b>3,704,798</b>	<b>0</b>	<b>1,487,173</b>	<b>0</b>	<b>60,734,562</b>

**5. Compensation to Employees**

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

**6. Purchase of Goods and Services**

	202/23			2021/22	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date
	Kshs	Kshs	Kshs	Kshs	Kshs
Purchase of Goods	-	-	-	-	91,248,378
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,248,378</b>

**7. Social Security Benefits**

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

**8. Acquisition of Non-Financial Assets**

	FY 2022/2023			2021/2022	
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to- date
Construction of civil works	1,130,931,040	1,729,733,754	2,860,664,794	362,759,652	9,178,885,489
Consultancies	96,870,317	-	96,870,317	20,610,851	1,050,410,450
<b>Total</b>	<b>1,227,801,356</b>	<b>1,729,733,754</b>	<b>2,957,535,110</b>	<b>383,370,503</b>	<b>10,229,295,939</b>

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**9. Transfers to other Government Entities**

During the 12 months to 30 June 2023, there were no transfers made by water agencies. During the 12 months to 30 June 2022, there were no transfers made to other agencies.

**10. Other Grants and Transfers and Payments**

This represents Bank charges for the Project Account.

	2022/23			2021/22	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank charges	574,959	-	574,959	230,965	1,458,355
<b>Total</b>	<b>574,959</b>	<b>-</b>	<b>574,959</b>	<b>230,965</b>	<b>1,458,355</b>

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**11. Cash and Cash Equivalents Carried Forward**

	2022/23	2021/22
	Kshs	Kshs
Bank accounts (Note 8.13A) KCB Account No 1156760372	1,107,649	148,357,539
Cash in hand (Note 8. 13B)		
Cash equivalents (short-term deposits) (Note 8.13C)		
<b>Total</b>	<b>1,107,649</b>	<b>148,357,539</b>

The reported cash balances represent disbursement from the special Account held with Kenya commercial Bank

**11 A Bank Balances**

**Project Bank Accounts**

	2022/23	2021/22
	KShs	KShs
<b>Foreign Currency Accounts</b>		
Central Bank of Kenya [A/c No.....]	-	
<b>Total Foreign Currency balances</b>	-	
<b>Local Currency Accounts</b>		
KCB Account No 1156760372	1,107,649	148,357,539
<b>Total local currency balances</b>	<b>1,107,649</b>	<b>148,357,539</b>
<b>Total bank account balances</b>	<b>1,107,649</b>	<b>148,357,539</b>

*The project funds are held in Kenya Commercial Bank*

**11 B Cash Balances**

There was no cash in hand relating to the project as at 30<sup>th</sup> June 2023.

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

There were no cash deposits related to the project

**12. Imprests and Advances**

There were no account receivables relating to the project as at 30<sup>th</sup> June 2023

**13. Deposits and Retention Monies**

There were no Deposits and retention

**14. Fund Balance Brought Forward**

Description	2022/23	2021/22
	KShs	KShs
Bank accounts	148,357,539	47,083,757
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances	-	-
<b>Total</b>	<b>148,357,539</b>	<b>47,083,757</b>

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**15. Prior Year Adjustment**

The project did not have any prior year adjustment during the 2022/2023FY

**16. Changes In Receivable**

There were no changes in receivable during the year

**17. Changes In Accounts Payable**

There were no changes in receivable during the year

**Other Important Disclosures**

**18.1 Pending Accounts Payable (See Annex 2a)**

The project did not have any pending accounts payables relating to staff costs

**18.2 Pending Staff Payables (See Annex 2b)**

The project did not have any payables relating to staff costs

**18.3 Other Pending Payables (See Annex 2c)**

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

**18.4 External Assistance**

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

**a) External assistance relating loans and grants**

N/A

**b) Undrawn external assistance**

N/A

**c) Classes of providers of external assistance**

N/A

**d) Non-monetary external assistance**

N/A

**e) Purpose and use of external assistance**

N/A

**f) External Assistance paid by third parties on behalf of (the Entity) by Source**

N/A

**18.5 GoK counterpart contribution to the project**

During the year under review the Project received a total of Ksh 749,000,000. These amounts were utilized to pay VAT and Resettlement Action plan. Due to Donor requirements to not include GOK counterparts in the project financial reports, these amounts are incorporated in the institutional financial reports.

**18. Prior Year Auditor General’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)
Other Matter Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,448,570,000 and Kshs.531,960,000 respectively, resulting in underfunding of Kshs.916,610,000 or 63 % of the budget. Similarly, the Project utilised Kshs.383,601,469 against the budgeted amount of Kshs.1,448,570,000 resulting into under expenditure of Kshs.1,064,968,531 or 74% of the estimated expenditure. The underfunding and under expenditure affect the implementation of planned activities and may impact negatively the delivery of the Project to the public	<p>The project faced a big challenge on wayleave acquisition and court cases that resulted to stoppage of works on the construction of the Raw and Treated Water pipelines from Kigoro Water Treatment Plant to Gigiri reservoir. As such most of the activities for this contract were not undertaken as planned. The budget absorption was therefore low as the contractor could not raise IPCs as per the workplans and disbursement plan.</p> <p>As disclosed in the Statement of Comparative Budget and actual amounts for the year ended 30th June 2022, the project had a budget of Ksh 1,448,570,000 but was only</p>	Eng. Michael Thuita, CBS CEO AWWDA	Partially Resolved	December 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>able to disburse Ksh 531,959,008 which represent 35% absorption rate on the budget.</p> <p>Its therefore not correct to conclude that the project was underfunded as enough budget had been allocated and its only that the absorption rate was low due to the challenges highlighted.</p>			
2.Special Account Statement	<p>The Special Account Statement reflects EUR 11,504,237 or Kshs.1,460,604,989 under amounts withdrawn and not yet claimed as at 30 June, 2022. This amount represents cumulative funds transferred to the local project bank account, but whose expenditure returns had not been submitted to National Treasury by the closure of the financial year.</p> <p>Consequently, accountability of the Project in National Treasury records is incomplete.</p>	<p>As per the Credit Financing Agreement clause 3.1 the final beneficiary can request for a drawdown in the form of Renewable Advances for payment of the expenses financed under the Facility in accordance with the purpose set forth in Clause 2.2 (Purpose).</p> <p>The Facility may be made available in several advances in an amount of at least three (3) millions of</p>	Michael Kimotho CMF&S AWWDA	Fully Resolved	June 2023

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue ( <i>Name and designation</i> )	Status: ( <i>Resolved / Not Resolved</i> )	Timeframe: ( <i>Put a date when you expect the issue to be resolved</i> )
		<p>Euros each. Each advance will be disbursed by AFD to a special account opened by the Final Recipient identified by the name of the Project in a commercial bank which has received the approval of the AFD (the "Account").</p> <p>For the Drawdown of the first advance AFD will make the first Drawdown in the form of an advance in an amount of at least three (3) millions of Euros following receipt of the following document:</p> <ul style="list-style-type: none"> <li>- Drawdown Request in accordance with Clause 3.2 (Drawdown Request);</li> <li>- The bank account details of the Account;</li> <li>- A timetable for expenditures and implementation of the Project for the next years.</li> </ul>			

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		<p>The Drawdown of the second and subsequent tranches will be subject to evidence of the use of an amount at least equal to 80% of the amount of the first tranche on the basis of the following items:</p> <ul style="list-style-type: none"> <li>i. A drawdown request in accordance with Clause 3.2 "Drawdown Request</li> <li>ii. A list of expenditures setting out the items to which these expenses will be imputed;</li> <li>iii. copy of the bank statement for the account opened by the Final Recipient and identified by the name of the Project showing the debit movements corresponding to expenditures of the Project, as well as monthly statements;</li> </ul>			

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		<p>iv. A detailed inventory and report on state of performance of the Project;</p> <p>v. A report presenting the progress of the Project including a financial audit report;</p> <p>vi. A timetable of expenditures envisaged for the next years.</p> <p>Any undocumented or insufficiently documented amounts will be deducted from the following advance.</p> <p>We confirm that AWWDA has been accounting for all the advances received from the Donor in the Project Account as provided for in the Credit Financing Agreement. All the receipts received in the project account has been included in the Statement of Receipts and Payments in the year the amounts were received.</p>			

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		<p>The Financial accounts has been audited over the years and supporting documents to support the expenditures provided to all stakeholders including Ministry of Water Sanitation and Irrigation, National Treasury and AFD.</p> <p>Bank statements of the Special Account and Project Account together with the bank reconciliations have been provided.</p> <p>A fund accountability statement from the first disbursement upto 30th June 2022 is attached.</p>			
3.Delay in Completion of Ngethu - Gigiri Treated Water Pipeline.	The statement of receipt and payments reflects acquisition of non-financial assets totaling to Kshs.383,370,503 as indicated in Note 8. Included in this amount is construction of civil works totaling to Kshs.362,759,652, out of which an amount of Kshs.356,019,812 was paid to the contractor for the construction of raw and treated water gravity mains from Thika Dam to Kigoro Treatment Works to Gigiri Tanks. The contract commencement date was 27 October, 2016 with original completion date being 25 April, 2019 (30 months).	It's true that there has been little progress on works for construction of raw and water gravity mains from Thika Dam to Kigoro Treatment Works to Gigiri Tanks during the year under review. This was mainly due to delay in acquiring	Eng. Michael Thuita, CBS CEO AWWDA	Partially Resolved	December 2023

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	<p>Review of the Construction of Raw and Treated Water Gravity Mains from Thika Dam to Kigoro Treatment Works Progress Report revealed that 89% of the revised contract period had elapsed, while the overall progress of works completion is 41%, compared with the previous year level of completion of 36%. In addition, only 4.16KM or 11% of the total length of 36.94KM of the pipeline from Ngetu treatment works to existing Gigiri Reservoir had been laid, leaving 32.78KM or 89% outstanding. This was in spite of the contractor having less than 7 months to the revised completion date timeline of 31 March, 2023 as at the time of audit in September 2022. No works were on-going.</p> <p>Further, there was no evidence that the Project Management had communicated to AFD of the delay of the project completion contrary to article 12.4 of the Credit Facility Agreement and 7.3 (a) of the Subsidiary Loan Agreement, which require the borrower to inform the lender of any event or incident that has a material adverse effect on the implementation of the Project.</p> <p>As result of the foregoing, it was not possible to ascertain whether the project would be completed by the revised completion date of 31 March, 2023.</p>	<p>wayleaves as some Project affected persons went to court which issued works stoppage. The delay was also caused by contractual challenges especially on the variation of prices for steel in the world market.</p> <p>AWWDA has now fully acquired 26 Km out of the 32.78 km of wayleaves and the contractor has mobilized three teams to fast track the works.</p>			
4. Unutilized Kigoro Water Treatment Plant	<p>The contract works for the construction of the Kigoro Water Treatment Plant was awarded under contract No AWSB/AFD/DB/WKTP/2014 to a construction company at a contract sum of Kshs.1, 115,019,524 inclusive of tax. The contract commencement date was 15 May, 2015 with the completion date set to 15 May, 2018.</p>	<p>The Kigoro water treatment plant was completed before the completion of the Construction of Raw and Treated Water Mains as the pipelines contract faced various challenges</p>	Eng. Michael Thuita, CBS CEO AWWDA	Fully Resolved	June 2022

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	<p>As at 30 October, 2020, the construction works at the treatment works were substantially complete and the plant was ready for commissioning. However, physical verification of the project conducted on 21 September, 2022 revealed that the plant had remained idle for a period of twenty-three (23) months since its completion date but continues to incur a monthly estimated cost of operation of Kshs10,500,000 which includes cost of electricity in running and maintenance of the electro mechanical equipment at the plant.</p> <p>Consequently, there is no value for money on the expenditure on the Kigoro Water Treatment Plant.</p>	<p>especially on acquisition of wayleaves and court orders to stop the works due to compensation related issues.</p> <p>The raw water mains have now been fully completed and the contractor for the Kigoro Water Treatment is undertaking tests in order for the treatment plant to be commissioned.</p> <p>The treated water pipeline from Kigoro to Ngethu is also completed and the treated water is being transmitted to Ngethu and connected to the already existing pipelines to Gigiri</p>			
5.Nugatory Cost for Delayed Payment of Value Added Tax (VAT	<p>Review of documentation for Contract no. AWSB/WASSIPAF/COMP.1/W-2/2015 (Kigoro Treatment Works to Gigiri tanks) showed an outstanding Value Added Tax (VAT) amount of Kshs.130,152,323 that had not been settled as at 30 June, 2022. This amount had subsequently attracted interest and penalties totaling to Kshs.257, 191,705 as per letter reference no CSCEC/NFECJV/14/202112102 from the Kenya Revenue Authority (KRA), compelling the contractor to pay the amount.</p>	<p>The Contract for the construction of Construction of Raw and Treated Water Gravity Mains from Thika Dam to Kigoro Treatment Works to Gigiri Tanks (Contract no. AWSB/WASSIP</p>	Eng. Michael Thuita, CBS CEO AWWDA	Partially Resolved	June 2023

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	<p>The explanation provided for the delay was lack of enough funds to pay the Value Added Tax (VAT) which should have been included in the budget for the project.</p> <p>In the circumstances, the Project Management incurred avoidable expenditure of Kshs.257,191,705.</p>	<p>AF/COMP.1/W-2/2015) was initially awarded inclusive of VAT as the Government of Kenya was to provide funds to pay for VAT. During implementation the Government was not able to provide the funds to pay for VAT and thus it recommended that AWWDA seeks VAT Exemption for the project.</p> <p>An addendum 1 Variation of Contract for Exclusion of Value Added Tax (VAT) was Signed on 23rd May 2018. The Addendum did not become effective as VAT Exemption was not granted by National Treasury.</p> <p>When AWWDA experienced delay in getting the Exemptions, the funds were budgeted counterpart funds</p>			

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		<p>paying the Value Added Tax (VAT) as the VAT exemptions was waited, AWWDA has been making part payments of the outstanding VAT depending on allocation received from the GOK. All outstanding VAT has now been paid.</p> <p>The contractor paid all the VAT and AWWDA re-imbursed the paid VAT to the Contractor. The Project Management did not incur the expenditure of Kshs.257,191,705 cited in the draft report.</p>			



Chief Executive Officer  
 Name: Eng. Michael M. Thuita, MBS  
 Date:



Project Coordinator  
 Name: Eng. Joseph Kamau  
 Date:

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

Receipts/Payments Item	Original Budget in Millions	Adjustments	Final Budget in Millions	Actual on Comparable Basis	Variance	% of Variance	Explanation of the variance
	a	b	c=a+b	d	e=d-c	f=e/c %	
<b>Receipts</b>							
Proceeds from borrowings	2,500,000,000	1,078,323,840	3,578,323,840	2,808,057,594	-770,266,246	22%	Construction of Raw and Treated Water Mains as the pipelines contract faced various challenges especially on acquisition of wayleaves and court orders to stop the works due to compensation related issues.
Miscellaneous receipts	-	2,500,000.00	2,500,000	3,704,798	1,204,798	48%	
Fund Balance B/F	-	148,357,539	148,357,539	148,357,539		0.00%	
<b>Total Receipts</b>	<b>2,500,000,000</b>	<b>1,229,181,379</b>	<b>3,729,181,379</b>	<b>2,960,119,931</b>	<b>-769,061,448</b>	<b>21%</b>	
<b>Payments</b>							
Goods and Services	-	-	-	-			
Acquisition of Non-Financial Assets	2,500,000,000	1,229,181,379	3,729,181,379	2,958,437,322	-770,744,057	21%	
Other Grants and Transfers and Payments	-	-	-	574,959	574,959	100%	
<b>Total Payments</b>	<b>2,500,000,000</b>	<b>1,229,181,379</b>	<b>3,729,181,379</b>	<b>2,959,012,281</b>	<b>-770,169,098</b>	<b>21%</b>	
<b>Surplus/Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,107,649</b>	<b>1,107,649</b>		

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Opening Cost 2022/2023 (Kshs)	Purchase /Additions in the year 2022/2023 (Kshs)	Disposal in the year 2022/2023 (Kshs)	Transfers in/(out) 2022/2023 (Ksh)	Closing Cost 2022/2023 (Kshs)
	a	b	c	d	e=a+b-①+(-)d
Work in Progress	7,270,858,617	2,958,437,322	-	-	10,229,295,939

19. APPENDICES

- i. Bank Reconciliations
- ii. Special Deposit Account(s) reconciliation statement(s)