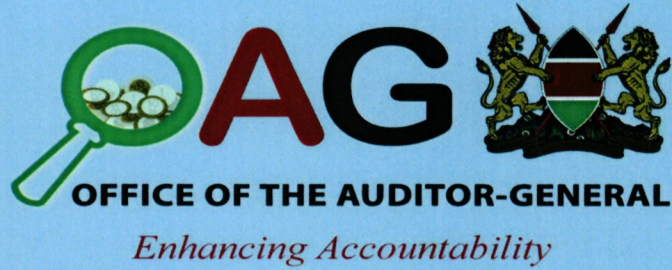
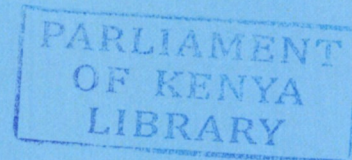


REPUBLIC OF KENYA



REPORT

OF



THE NATIONAL ASSEMBLY
PAPERS L AID

DATE: 09 FEB 2022

THE AUDITOR-GENERAL

TABLED

LDM

CLERK-1
BY-TABLE:

S. Kalama

ON

**NAIROBI SANITATION OUTPUT BASED AID
PROJECT (OBA) - (IDA GRANT NO.TF014251
AND NO.TF0A5607)**

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

**NAIROBI CITY WATER AND SEWERAGE
COMPANY LIMITED**

Nairobi Sanitation Output Based Aid project
Reports and Financial Statements
For the financial year ended June 30, 2021



Project Name: Nairobi Sanitation Output Based Aid project

Implementing Entity: Nairobi City Water and Sewerage Company Ltd

PROJECT GRANT NUMBER IDA CR NO.TF014251-KE/TF0A5607

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

...Improving Reliability

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Nairobi Sanitation Output Based Aid project.

Objective: The key objective of the project was to increase access to sanitation and water services in selected low-income communities of Nairobi. The project provided subsidies to connect households to trunk infrastructure put in place in low-income areas of Nairobi. It also helped in implementation of Nairobi City Water and Sewerage Company's (NCWSC's) social connection policy.

Address: The project headquarters offices are Nairobi, Nairobi County, Kenya.

The address of its registered office is:

Kampala Road, Industrial Area
P.O. Box 30656 – 00100, Nairobi
Kenya

Contacts: The following are the project contacts

Telephone: (254) 0703080000

E-mail: Email: info@nairobiwater.co.ke

Website: www.nairobiwater.co.ke

1.2 Project Information

Project Start Date:	The project start date is 26th February 2016
Project End Date:	The project end date is 30th June 2019
Project Manager:	The project Coordinator is Eng Lucy Njambi
Project Sponsor:	The project sponsor is the World Bank and NCWSC Ltd

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water and Sanitation
Project number	IDA CR NO.TF014251-KE /TF0A5607
Strategic goals of the project	The strategic goals of the project are as follows: (i) Extend the sewer and water services to parts of the InformaSettlement areas that are not well reticulated, (ii) Convert the existing Pit latrines and the septic tank toilets in the area to pour flush conventional sewer type toilets.
Achievement of strategic goals	The project management aims to achieve the goals through the following means:

	<ul style="list-style-type: none"> i. Improve the area sanitation by creating better toilet facilities for this informal areas ii. Provide better and cheap waste water management as there will be no need for exhausting services which were far expensive for the landlords. iii. Create clean environment, which will be enhanced by the proper management of the waste water/sewer. iv. Increase access to water and sanitation services
Other important background information of the project	<p>The project scope includes</p> <ul style="list-style-type: none"> i. Upgrading 4,871 no. Existing Plots based pit latrines to conventional standard main sewers connection (Type A) ii. Upgrading 3,742 no. existing plots based pit latrines to conventional standard mains sewers connection (Type B) iii. 6,438 water connections iv. Maintenance during defect liability period of 12 Months
Current situation that the project was formed to intervene	<p>The works were meant to improve sanitation in 12 informal settlements namely; Kayole Soweto, Riverbank, Matopeni, Mukuru/Makongeni, Mathare, Huruma, Kasarani, Maili Saba, Mowlem, Kawangware and Kibera</p>
Project duration	<p>The project started on 26th February 2016 and is expected to run until 30th June 2019</p>

1.4 Bankers

Co-operative Bank of Kenya

Enterprise Road Branch

P.O. Box 67881 – 00200, Nairobi

Kenya

1.5 Auditors

The project is audited by the Auditor General in accordance with the Public Audit Act and the Companies Act.

1.6 Roles and Responsibilities

The relevant key stakeholders in the project are listed below;

Names	Title designation	Key qualification	Responsibilities
Eng. Nahason M. Muguna	Managing Director	Bsc.(Mechanical Eng) Msc-Eng, MBA	Client
Eng Lucy Njambi	Ag. Technical Director	Bsc Civil Eng, MSc Water and Sanitation	Project Manager overseeing project supervision, coordination and implementation as per the project design.
Mr. Paul E. Omondi	Ag. Finance Director	B.Com (Finance), MBA (Strategic Management), CPA(K)	Financial Reporting and follow up on financial resources flow.
Eng. Jackson Munuve	Resident Engineer	Bsc. (Civil Eng)	<ul style="list-style-type: none"> •Supervision of the Contractors works on site •Ensure the Contracting of the customers to be connected. •Issuance of the site instructions to the Contractor •Compilation of monthly progress report and status reports
Mr. Johnstone Mikwa	Financial Accountant	BA(Management studies), CPA(K), MBA	Financial reporting

1.7 Funding summary

The Project is for duration of 38 months from February 2016 to 30th June 2019. The project is co-financed by grant of US\$ 6,930,000 and a commercial loan of US\$ 6,000,000 from the co-operative bank of Kenya subject to interest rate as per KBBR. The project has an approved budget of US\$ 12,930,000 equivalent to KShs 1.293 billion plus own contribution of US\$ 2,389,489 as highlighted in the table below:

*Nairobi Sanitation Output Based Aid project
Reports and Financial Statements
For the financial year ended June 30, 2021*

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30-jun-2021)		Undrawn balance to date (30-Jun-2021)	
	<i>Donor currency</i> (A)	<i>KShs</i> (A')	<i>Donor currency</i> (B)	<i>KShs</i> (B')	<i>Donor currency</i> (A)-(B)	<i>KShs</i> (A')-(B')
(i) Grant						
World bank	6,930,000	693,000,000	4,912,725	497,576,479	2,017,275	201,727,500
(ii) Loan						
Cooperative Bank of Kenya	6,000,000	600,000,000	5,292,013	529,201,331	707,987	70,798,700
(iii) Counterpart funds						
Own contribution	2,389,489	238,948,917	2,389,489	238,948,917	0	0
Total	15,088,942	1,531,948,917	12,363,680	1,265,726,727	2,725,262	272,526,200

B. Application of Funds

Application of funds	Amount received to date		Cumulative amount paid to date – (30-jun-2021)		Unutilised balance to date (30-Jun-2021)	
	<i>Donor currency</i> (A)	<i>KShs</i> (A')	<i>Donor currency</i> (B)	<i>KShs</i> (B')	<i>Donor currency</i> (A)-(B)	<i>KShs</i> (A')-(B')
(i) Grant						
World bank	4,804,069.3	486,571,479	4,804,069.3	486,571,479	108,655.70	11,005,000
(ii) Loan						
Cooperative Bank of Kenya	5,292,013	529,201,331	5,292,013	529,201,331	707,987	70,798,700
(iii) Counterp art funds						
Own contribution	2,389,489	238,948,917	2,389,489	238,948,917	0	0
Total	12,485,571	1,254,721,727	12,485,571	1,254,721,727	816,643	81,803,700

1.8 Summary of Overall Project Performance:

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

During the year under review and cumulatively to date there was no significant budget utilisation/performance difference.

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

Table No. 1: The Project Scope of Work per Informal Settlement

REGION	S/No.	TARGET SETTLEMENTS	TYPE A	TYPE B	WATER CONNS	TOTAL SEWER CONNS (2 No. Per HH)
EASTERN	1	Kayole Soweto	989	1,744	785	5,466
	2	River Bank	370	85	455	910
	3	Matopeni	1,350	700	2,050	4,100
EASTERN/ CENTRAL	4	Mukuru/Makongeni	260	605	865	1,730
NORTHERN	5	Mathare	50	40	90	180
	6	Huruma	141	15	156	312
NORTH EASTERN	7	Maili Saba	510	403	913	1,826
	8	Mowlem	320	10	279	660
	9	Canaan	230	10	109	480
	10	Mwengenye	112	10	122	244
WESTERN	11	Kawangware	419	100	474	1038
SOUTHERN	12	Kibera	120	20	140	280
TOTALS			4,871	3,742	6,438	
Total sewer connections (2 No. per HH)			9,742	7,484		17,226

Sewer Connections

Table 2: Sewer Connection Progress

Target Settlements	Target Connections	Applied & Paid	% Applied & Paid Per Target	Connections Completed To Date	% Completed To Date In Line With The paid(Target)
1) Kayole Soweto	2,733	3284	120.1%	3284	100%
2) River Bank	455	704	154.7%	650	92.6%
3) Matopeni	2050	2846	138.8%	2846	100%
4) Mukuru/Makongeni	865	-	-	-	-
5) Mathare	90	-	-	-	-
6) Huruma	156	-	-	-	-
7) Maili Saba	913	-	-	-	-
8) Mowlem	330	986	298.5%	979	99.5%
9) Canaan	240	537	223.8%	526	98%
10) Mwengenye	122	-	-	-	-

Nairobi Sanitation Output Based Aid project
Reports and Financial Statements
For the financial year ended June 30, 2021

11) Kawangware	519	262	50.5%	260	99.2%
12) Kibera	140	-	-		
TOTALS	8,613	8,618	100.03%	8,545	99.3%

Water Connections

Table 3: Water Connection Progress

Target Settlements	Target Connections	Applied & Paid	% Applied & Paid Per Target	Connections Completed To Date	% Completed To Date as per The Applied and Paid Connections
Kayole Soweto	785	1189	151.5%	1189	100%
River Bank	455	704	154.3%	704	100%
Matopeni	2050	2846	138.8%	2846	100%
Mukuru/Makongeni	865	-	-		-
Mathare	90	-	-		
Huruma	156	-	-		
Maili Saba	913	-	-		
Mowlem	279	939	336.6%	938	100%
Canaan	109	501	459.6%	497	99.2%
Mwengenye	122	-	-		
Kawangware	474	262	53.8%	262	100%
Kibera	140	-	-		
TOTALS	6,438	6,441	100.04%	6,436	99.9%

Sewer and Water Reticulation

The Mowlem and Canaan were to be mostly reticulated with sewer and water network and the Matopeni and Riverbank were to be reticulated with water.

a) Water Reticulation Table 4

INFORMAL SETTLEMENT	PIPE SIZES (HDPE)				
	DN 25	DN 50	DN 75	DN 100	DN 150
1) Kayole Soweto	500	450			
2) Matopeni	4,300	3,500	1,550	1,670	15
3) Riverbank	2,700	726	265		
4) Mowlem	2,800	480	1,170		
5) Caanan	1,038	355	307		
6) Kawangware	1,170	500			
TOTAL LENGTHS (M)	12,508	6,011	3,292	1,670	15

b) Sewer Reticulation – Table 5

INFORMAL SETTLEMENT	PIPE SIZES (CONCRETE)	
	DN 225	DN 300
1) Kayole Soweto	40	
2) Mowlem	2,730	1,240
3) Caanan	1,640	325
TOTAL LENGTHS (M)	4,410	1,565

Overall Status

Table 5: The Status of Work done

Time Lapsed	38Months
% Time Lapsed	100%
Targeted Connection to Date as Per Work schedule	
a) Sewer Connection (Revised WP)	8,613
b) Water Connection	6,438
c) Sewer Connections Done	8,540
d) Water Connections Done	6,436
e) Percentage Connection to be achieved as per the Revised Work Schedule	100%
f) Percentage Of Actual Connection Achieved	99.8%
g) Mobilization as per work Schedule	100%
h) Mobilization to Date	100%
% Work Done (Approx.); inclusive of Mobilization	100%

1.8.3 Comment on value-for-money achievements

The project has had a number of benefits which include:-

- i. Increased number of customers in the informal settlement from 2,200 to over 10,000, this has also reduced the non-revenue water in these areas.
- ii. There is increased revenue to the company from the initial average of kshs 1 million before the project to current collection of kshs 3-4 million per month
- iii. Proper sanitation in the slums which has reduced the cases of the waterborne diseases
- iv. Increased access to water hence reducing the man hours people here would spend looking for the water.
- v. The cartels have no control in this areas as NCWSC is in full control of water and sewer services which has given the people here a lot of confidence.
- vi. The project created a lot of job opportunities to residents during its implementation.
- vii. The project has increased the sewer coverage for the Company by 6km for the works covering Canaan and Mowlem informal settlements.

The absorption rate for each year since the commencement of the project is as shown below.

FY	2020/2021	2019/20	2018/19	2017/18
Absorption rate	100%	99%	77%	92%

Implementation challenges and recommended way forward.

- i. Lack of advance payment of 20% of the contract sum to the Contractor which affected his performance of works more so the delays as his planned cash flow could not be effected well
- ii. Lack of the sewer lines in some of the informal settlements.
- iii. Hostile communities in some of this slums notably Canaan, Mowlem and Riverbank
- iv. During the implementation period we had a prolonged electioneering period from July 2017 - December 2017 as the August elections were nullified and repeat of the same in October 2017 and this being low income areas with high populations (Voters) were areas of the political rallies which in most cases turned violent affecting the works.
- v. Lack of way leaves in some of this areas as people are utilizing every space ; this affected the delivery of the materials to the working sites
- vi. Water deficiency affecting the applications as some parts are receiving water once in a week.

Way forward

Due to constant delays and lengthy procedure in disbursement of funds through the ministry, we propose and recommend that funds be channelled directly to the implementing agent.

1.9 Summary of Project Compliance:

The Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received were used for the eligible purposes for which they were intended and were properly accounted for.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT’S PREDETRMINED OBJECTIVES

Introduction

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

Key development objectives

The development objective of the project was to increase access to sanitation and water services in selected low-income communities in the Target Areas of the Recipient’s territory and more specifically to:

- a) Extend the sewer and water services to parts of the Informal Settlement areas that are not well reticulated,
- b) Convert the existing Pit latrines and the septic tank toilets in the area to pour flush conventional sewer type toilets.

Progress on attainment of Strategic development objectives

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

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Nairobi Sanitation (Output Based Aid) project	<p>a) Increase access to sanitation and water services in selected low-income communities in the Target Areas of the Recipient’s territory.</p> <p>b) Extend the sewer and water services to parts of the Informal Settlement areas that are not well reticulated.</p> <p>b) Convert the existing Pit latrines and the septic tank toilets in the area to pour flush conventional sewer type toilets.</p>	<p>i.) Improved the area sanitation by creating better toilet facilities for this informal areas</p> <p>ii.) Provided better and cheap waste water management as there is no need for exhausting services which were far expensive for the landlords</p> <p>iii.) Has Created a clean environment, enhanced by the proper management of the waste water/sewer</p> <p>iv.) Increased access to water and sanitation services</p>	<p>No. of sewer connections</p> <p>No. of water connections</p> <p>Number of people provided with access to sewerage and water services in the project areas</p>	<p>8,545No. Sewer connections</p> <p>6,436No. water connections</p>

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Nairobi City Water & Sewerage Company Ltd (NCWSC) aspires to make a positive difference to the communities we are in and to the nation overall through the services we provide, the way we provide them and the way we run the organization as a whole, while ensuring that this does not detract us from our core purpose. We aim to act responsibly in our actions with key tenets of:

- Providing sustainable benefits for our stakeholders
- Minimizing our impact on the environment, both directly and through what we do for our stakeholders
- Providing support for the wellbeing and development of staff
- Securing our own financial sustainability and independence
- Improving the positive impact on the communities we live and work in and reducing the negative impact
- Developing our partnerships with suppliers
- Continuous development of our governance and transparency.

Below is a brief highlight of our activities that drive towards sustainability:

- In conjunction with the Nairobi Metropolitan Services (NMS) and riparian communities within the catchment areas, the Company held a tree planting activity at Dandora Sewerage Treatment Works (DSTW) in Ruai.
- Under the community investment program, the utility has ensured that the informal settlements have water through water kiosks and water tanks, we also have rehabilitation of ablution blocks and boreholes in the settlements and within the city at large going on. All this is aimed at serving the less privileged members of the society.
- Donation of water tanks (10,000 litres) to strategic groups such as schools, health facilities and youth and women groups through area Members of the County Assembly (MCAs). This assists in water conservation as well as educating them on the importance of environmental and water conservation.
- As a result of the COVID-19 pandemic and in support of our members in the society, collaborated with NMS and Athi Water Works Development Agency (AWWDA) to complement the efforts of the National Government by providing hand-washing points in strategic points in Nairobi City County as an immediate measure to stop the spread. These facilities are available in all the police stations, public toilets and high human traffic areas within and outside the Nairobi Central Business District (CBD).

Special attention has been given to the informal settlements, given its uniqueness of high population density and over-crowdedness.

- In partnership with Water and Sanitation for the Urban Poor (WSUP), the Company rolled out the hygiene behavior change communication (HBCC) project whose intention was to drive hygiene behavior change communication through mass media channels, utility digital media platforms and community engagement, in the fight against Covid-19.

Environmental and health benefits. Prior to the project the targeted settlements had a high number of poor-quality pit latrines which often drained into the street and lanes, and whose content was unsafely disposed of into the environment around the settlements. In addition, those who did not have access to a latrine or chose not to use the poor-quality latrine practiced open defecation, with fecal matter often disposed of in plastic bags (“flying toilet”). The connection of the new latrines to sewers has visibly improved the environment within the settlements.

In addition, information shared through community health workers and public meetings has resulted in the improved management of solid waste within the communities. This is essential to ensure sewers do not get blocked, but also had a positive impact on the environmental hygiene of the settlements. Access to hygienic sanitation, which disposes of fecal matter safely, and to clean water was expected to reduce sanitation-related diseases. While not verifiable, customers reported a drop in the incidents of disease, including outbreaks of cholera, since the project, and this is supported by data from Nairobi County Public Health Department.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2021, and of the Project's financial position as at that date. The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

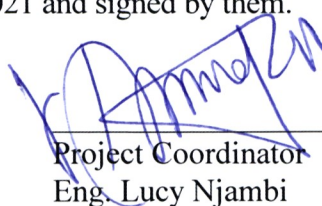
The Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

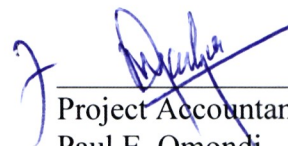
The Project financial statements were approved by the Managing Director of Nairobi City Water and Sewerage Company Ltd and the Project Coordinator for Nairobi Sanitation Output Based Aid project on _____ 2021 and signed by them.



Managing Director
Eng. Nahason Muguna



Project Coordinator
Eng. Lucy Njambi



Project Accountant:
Paul E. Omondi
ICPAK Member No.:

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NAIROBI SANITATION OUTPUT BASED AID PROJECT (OBA) - (IDA GRANT NO.TF014251 AND NO.TF0A5607) FOR THE YEAR ENDED 30 JUNE, 2021 - NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED

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 government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nairobi Sanitation Output Based Aid Project (IDA Grant No.TF014251 and TF0A5607) set out on pages 1 to 16, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Nairobi Sanitation Output Based Aid Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Financing Agreement Grant No.TF014251 and TF0A5607 dated 19 December, 2013 and 30 August, 2017 respectively between the Republic of Kenya and International Development Association and Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special account transactions and closing balance has been reconciled with the book balances.

Basis for Qualified Opinion

1. Unremitted Disbursements

As disclosed in Note 11.2 to the financial statements, the statement of receipts and payments indicates cumulative proceeds from domestic and foreign grants of Kshs.486,571,479. However, Paragraph 1.7 Funding Summary under the Project information and overall performance reflect amount received to date of Kshs.497,576,479 resulting to an unreconciled variance of Kshs.11,005,000. According to explanations provided and as disclosed in Note 12 to the financial statements, the variance of Kshs.11,005,000 was an amount withdrawn from the special account and transferred to the Ministry of Water and Sanitation in the year 2016/2017 but was not remitted to the project.

In the circumstances, the actual accumulated grant advanced of Kshs.486,571,479 for the year ending 30 June, 2021 has been misstated.

2. Unreconciled Donor Receipts

The project information and overall performance under Note 1.7 funding summary, reflects amount received to date of US Dollars 4,912,725 while the special account report of Nairobi Sanitation OBA Project IDA Loan Credit No. TF 014251-KE for the year ended 30 June, 2021 reflects amount advanced by IDA to the project amounting to USD 3,567,380 as at 30 June, 2021 leading to an unexplained and unreconciled variance of USD 1,298,335.

In the circumstances, the actual grant advanced has been misstated

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

Emphasis of Matter

1. Fixed Assets Management

As previously reported and as included in Annex 4 to the financial statements, is a summary of fixed assets register for Nairobi Sanitation Output Based Aid (OBA) Project valued at Kshs.10,800,000. Review of the ownership documents revealed that the assets were still in the name of the contractor, yet the contractor had returned the original logbooks together with a letter and original signed transfer forms on 10 July, 2019. To date, the assets have not been transferred to Nairobi City Water and Sewerage Company Ltd being the implementing entity.

In the circumstances, it was not possible to ascertain the ownership of the assets of the project as at 30 June, 2021.

2. Slow Absorption of Funds

As disclosed in paragraph 1.2 on project information, the project was earmarked to close on 30 June, 2019. However, paragraph 1.7 on funding summary indicates that IDA had made a commitment amounting to Kshs.693,000,000 equivalent of USD 6,930,000 as at 30 June, 2019. However, actual drawdowns during the project's life amounted to Kshs.497,576,479, equivalent to USD 4,912,725, resulting to a balance of Kshs.201,727,500 undrawn. The credit lapsed without being fully utilized and the project's planned deliverables earmarked for completion using the funding may not have been realized.

However, Management has not provided for audit review, documentary evidence to show that the closure process was initiated or any attempt to secure an extension of the project from the Donor.

3. Project Closure Reports

Paragraph 1.2 of the financial statements revealed that the project was to end on 30 June, 2019. Review of special account reports revealed that the grants were last received in 2018. Further, the certificate of substantial completion dated 26 August, 2019 indicated that the defects liability period of the work would expire on 8 July, 2020. However, the project closure report was not provided for audit review, being more than one year after the expiry of the defects liability period.

In the absence of this report, it was not possible to ascertain the actual status of the project.

4. Contingent Liability

As previously reported and as disclosed in Note 14.5 to the financial statements, there was a pending arbitration dispute between a contractor and Nairobi City Water and Sewerage Company (NCWSC) in respect to the project, whereby Management had failed to pay the contractor an advance payment of Kshs.166,224,772 as agreed in the contract terms. The contractor had completed the project as at the time of the audit carried out in September 2021.

In the circumstances, the probability of the contingent liability materializing is high.

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

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, I confirm that, nothing 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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association (IDA), 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 are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

Those charged with governance are responsible for overseeing the Project financial reporting process, reviewing the effectiveness of how the Project 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 Project financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My

consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Project's 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 Project financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


23 December, 2021

*Nairobi Sanitation Output Based Aid project
Reports and Financial Statements
For the financial year ended June 30, 2021*

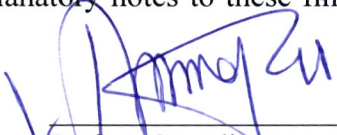
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020/2021		2019/2020		Cumulative to-date (From inception)
		Receipts and payments controlled by the entity KShs	Payments made by third parties KShs	Receipts and payment controlled by the entity KShs	Payments made by third parties KShs	KShs
RECEIPTS						
Transfer from Government entities	11.1	0	0	0	0	0
Proceeds from domestic and foreign grants	11.2	0	0	0	210,475,870	486,571,479
Loan from external development partners	11.3	0	0		0	0
Miscellaneous receipts-co funding by NCWSC	11.4	52,116,277	0	155,257,398	0	768,150,248
TOTAL RECEIPTS		52,116,277	0	155,257,398	210,478,870	1,254,721,727
PAYMENTS						
Compensation of employees	11.5	0	0	0	0	0
Purchase of goods and services (Works/consultancy)	11.6	1,075,378	0	148,231,013	0	1,028,027,434
Social security benefits	11.7	0	0	0	0	0
Acquisition of non-financial assets	11.8	0	0	0	0	10,800,000
Transfers to other government entities	11.9	0	0	0	0	0
Finance costs on loan plus bank charges	11.10	51,040,991	0	54,613,538	0	215,894,293
TOTAL PAYMENTS		0	0	202,844,551	0	1,254,721,727
DEFICIT		(92)	-	(47,587,153)	-	0

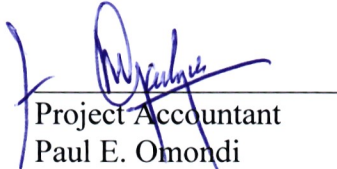
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Managing Director
Eng Nahason Muguna



Project Coordinator
Eng Lucy Njambi




Project Accountant
Paul E. Omondi
ICPAK Member No.:


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

	Note	2020-2021	2019-2020
		KShs	KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.11 A	0	92
Cash Balances	11.11 B	0	0
Cash Equivalents (short-term deposits)	11.11 C	0	0
Total Cash and Cash Equivalents		0	92
Accounts receivables – Imprest and Advances	13.10	0	0
TOTAL FINANCIAL ASSETS		0	92
REPRESENTED BY			
Fund balance b/fwd	13	92	47,587,245
Prior year adjustments	13.11	0	0
(Deficit)/Surplus for the year		(92)	(47,587,153)
NET FINANCIAL POSITION		0	92


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



Managing Director
Eng. Nahason Muguna



Project Coordinator
Eng. Lucy Njambi




Project Accountant
Paul E. Omondi
ICPAK Member Number:


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

		2020-2021	2019-2020
	Note	KShs	KShs
Receipts for operating activities			
Transfer from Government entities	11.1	0	0
Proceeds from domestic and foreign grants	11.2	0	0
Own contribution /commercial loan /borrowing costs	11.4	52,116,277	155,257,398
Sub total		52,116,277	155,257,398
Payments for operating activities			
Compensation of employees	11.5	0	0
Purchase of goods and services (consultancy and works)	11.6	(1,075,378)	(148,231,013)
Social security benefits	11.7	0	0
Transfers to other government entities	11.9	0	0
Other grants and transfers (Co-funding by NCWSC)	11.10	(51,040,991)	(54,613,538)
Adjustments during the year	13.11	0	0
Net cash flow from operating activities		(52,116,369)	(202,844,551)
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	11.8	0	0
Net cash flows from Investing Activities		0	0
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	11.3	0	0
Net cash flow from financing activities		0	0
NET INCREASE IN CASH AND CASH EQUIVALENT		(92)	(47,587,153)
Cash and cash equivalent at BEGINNING of the year		92	47,587,245
Cash and cash equivalent at END of the year		0	92

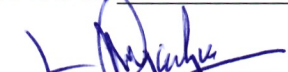
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2021 and signed by:



Managing Director
Eng. Nahason Muguna



Project Coordinator
Eng. Lucy Njambi




Project Accountant
Paul E. Omondi
ICPAK Member Number No:

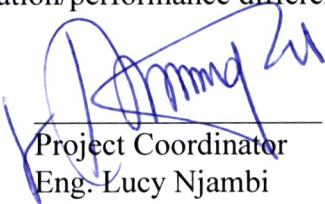
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities		0	0	0		
Proceeds from domestic and foreign grants		0	0	0	0	0%
Proceeds from borrowings						
Other transfers (Newsc own funding)	52,116,277	0	52,116,277	52,116,277	0	100%
Total Receipts	52,116,277	0	52,116,277	52,116,277	0	100%
Payments						
Compensation of employees						
Works & consultancy (Purchase of goods and services)	1,075,378	0	1,075,378	1,075,378	0	0%
Social security benefits	0	0	0	0	0	0%
Acquisition of non-financial assets	0	0	0	0	0	0%
Transfers to other government entities	0	0	0	0	0	0%
Bank charges/finance costs	51,040,991	0	51,040,991	51,040,991	0	100%
Total Payments	52,116,369	0	52,116,369	52,116,369	0	100%

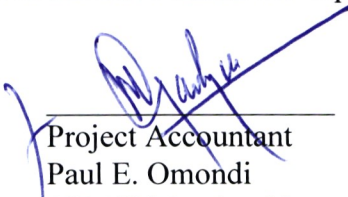
Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.



Managing Director
Eng. Nahason Muguna



Project Coordinator
Eng. Lucy Njambi



Project Accountant
Paul E. Omondi
ICPAK Member No:

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

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

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

10.3 Reporting entity

The financial statements are for the Project Nairobi Sanitation Project Output Based Aid under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3.1 Reporting currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

• 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.

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

Borrowing includes loans acquired by the Project from the Co-operative Bank of Kenya and are treated on cash basis and recognized as a receipt during the year they are received.

Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

- **Other receipts**

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

b) Recognition of payments

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

- **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid. No compensation was made during this period.

- **Use of goods and services**

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

- **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Repayment of borrowing (principal amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

Acquisition of fixed assets

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

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

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

f) Pending bills

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

g) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

h) Third party payments

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

No amount was received during the period as loan disbursements in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

j) Comparative figures

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

k) Subsequent events

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

l) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

11. NOTES TO THE FINANCIAL STATEMENTS

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

These represent counterpart funding and other receipts from government. There was no receipts from government during the period

11.2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2021 there was no grants received from donors (2020: Kshs Nil)

11.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

The project has not received any funding in form of loans from external development partners.

11.4 MISCELLANEOUS RECEIPTS/COMMERCIAL LOAN/BORROWING COSTS/TAX

	2020-2021			2019-2020	Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	KShs	KShs	KShs		
Own Contribution and finance costs	52,116,277	0	52,116,277	54,606,020	238,948,917
Commercial loan from cooperative bank of Kenya				100,651,378	529,201,331
	<u>52,116,277</u>	=	<u>52,116,277</u>	<u>155,257,398</u>	<u>768,150,248</u>

Miscellaneous receipts comprises of commercial loan and interest thereon acquired from the cooperative bank of Kenya plus own contribution by the company in form of payment of withholding taxes and consultancy fee.

11.5 COMPENSATION OF EMPLOYEES

Engineering staff attached to the project are paid site allowances by the contractor which are included as measured works.

11.6 PURCHASE OF GOODS AND SERVICES (WORKS AND CONSULTANCY)

	2020-2021			2019-2020	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Works/consultancy- (Pending bill)	1,075,378		10,75,378	148,231,013	1,028,027,434
Total	1,075,378		1,075,378	<u>148,231,013</u>	<u>1,028,027,434</u>

This includes money paid to the contractor as civil works done and consultancy fees for independent verification of the project progress. It also includes other operating expenses such finance costs and bank charges.

11.7 SOCIAL SECURITY BENEFITS

No employee attached to the project was entitled to receive social security benefits other than as per employment contract with the employer.

11.8 ACQUISITION OF NON-FINANCIAL ASSETS

	2020/2021			2019/2020	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Purchase of vehicles & other transport equipment	-	-	-	0	10,800,000
Total	-	-	-	0	10,800,000

Two number vehicles were acquired in the period 2017/2018 and have been transferred to the Company.

11.9 TRANSFERS TO OTHER GOVERNMENT ENTITIES

There was no transfer of funds to other reporting government entities.

11.10 FINANCE COSTS/BANK CHARGES PAYMENTS

	2020/21			2019/20	Cumulative to-date
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	KShs	KShs
Misc payments (Finance costs and bank charges/taxes)	51,040,991		51,040,991	54,613,538	215,894,293
Total	<u>51,040,991</u>		<u>51,040,991</u>	<u>54,613,538</u>	<u>215,894,293</u>

This includes financing costs of borrowing and bank charges paid by NCWSC.

11.11 CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 11.10A)	92	92
Cash in hand (Note 11. 10B)	-	-
Cash equivalents (short-term deposits) (Note11.10C)	-	-
Total	<u>0</u>	92

The project has one number of project account spread within the project implementation area.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.11 A. Bank Accounts

Project Bank Accounts

	2020/21	2019/20
Foreign Currency Accounts	USD	USD
Central Bank of Kenya [A/c No1000237578.....]	0	0
Total Foreign Currency balances	0	0
	KShs	KShs
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No. 0113601361409]	0	92
Others (<i>specify</i>) <i>none</i>	-	-
Total local currency balances	<u>0</u>	92
Total bank account balances	<u>0</u>	92

Special Deposit Accounts

There were no balances in the Project's Special Deposit Account(s) as at 30th June 2021. There was no external loans/grants received in the year.

Special Deposit Accounts Movement Schedule

	2020/21	2019/20
	USD	USD
(i) A/C Name [A/c No.....]		
Opening balance	750	750
Total amount deposited in the account	0	0
Total amount withdrawn (not yet claimed)	<u>750</u>	750
Closing balance (<i>as per SDA bank account reconciliation attached</i>)	<u>750</u>	<u>750</u>

The balance in the designated account as at 30th June 2021 is USD 750.

11.11B Cash in Hand

There was no cash at hand as the project did not provide for cash disbursements.

11.11. C Cash equivalents (short-term deposits)

There was no short term deposits in the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. ACCOUNTS RECEIVABLES

	2020/21	2019/20
	KShs	KShs
Ministry of Water and Sanitation	11,005,000	11,005,000
Imprests	0	-
Total	11,005,000	11,005,000

During the period 2016-2017 USD 500,000 was withdrawn from the special account and an equivalent of kshs 51,505,000 was transferred from Treasury to the Ministry of water and sanitation. However the Ministry transferred only kshs 40,500,000 leaving a balance of kshs 11,005,000.

13. FUND BALANCE BROUGHT FORWARD

	2020/21	2019/20
	KShs	KShs
Bank accounts	0	92
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	0	92

13.10. OUTSTANDING IMPRESTS AND ADVANCES

There was no imprests or advances issued during the period.

13.11. PRIOR YEAR ADJUSTMENT

There were no prior year adjustments on fund balance.

14. OTHER IMPORTANT DISCLOSURES

14.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	0	0	(0)	0
Construction of civil works (Works)	0	0	0	0
Supply of goods	-	-	-	-
Supply of services (Consultancy fee)	1,075,378	0	(1,075,378)	0
Total	1,075,378		(1,075,378)	0

This relates consultancy fees approved at the end of the June 2019 paid during the period 2020/2021.

14.2 PENDING STAFF PAYABLES

There was no outstanding staff payables as at close of the period.

14.3 OTHER PENDING PAYABLES

There was no outstanding other payables as at close of the period

14.4 RETENTION MONIES

Retention at the rate of 10% is deducted from measured works and is payable after the defects liability period or as provided in the contract documents. The retention amount was paid in the period ending June 2020.

14.5 CONTINGENT LIABILITIES

This comprise of a pending suit instituted against the company by Interways Works Kenya Ltd for an advance payment claim of Kshs 166 Million. The likely outcome of this matter cannot be determined as at the date of signing these financial statements.

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15. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference	Observation by the Auditor	Management comment
1	Pending bills – note 9.1 to the financial statements refelects pending bills amount of kshs 1,075,378 as at 30 th June 2020 relating to consultancy fee. The project is at risk of incurring interest costs and penalties with the continued delay in making payments	The payment to Losai Management Ltd inclusive of taxes were subsequently paid in full as per attached payment documents
2	Fixed asset management – under the summary of fixed asset register at Annex 3 to the financial statements, the project had assets valued at kshs 10,800,000 as at June 2020. The assets which include motorvehicles were at the time of audit being utilized by the company. However, a report to show when the projects assets were handed over to the Nairobi city water and sewerage company ltd was not availed for audit review	The company applied for transfer of the Motor vehicle to the Nairobi city water and sewerage company ltd which is still pending registration by NTSA.

Managing Director

Date

Project Coordinator

Date

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16. ANNEX 1 – VARIANCE EXPLANATIONS – COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget on Utilization Difference	c=a-b	% Utilization	d=b/a %	Comments on Variance
	a	b					
Receipts							
Transfer from Government entities	-	-		-	-	-	
Proceeds from domestic and foreign grants	0	0		0	0%	0%	
Proceeds from borrowings	-	-		-	-	-	
Misc receipts-Co-funding by NCWSC)	1,075,688	1,075,688		0	0	100%	
Total Receipts	1,075,688	1,075,688		0	0	100%	
Payments							
Compensation of employees	-	-		-	-	-	
Purchase of goods and services (Works and consultancy)	1,075,378	1,075,378		0	0	100%	
Other grants and transfers (Co-funding (finance costs) and bank charges)	402	402		0	0	100%	
Total payments	1,075,780	1,075,780		0	0	100%	

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17. ANNEX 2A – ANALYSIS OF PENDING BILLS

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid	To-Date	Outstanding Balance 2021	Outstanding Balance 2020	Comments
	a	b	c	d=a-c			
Sub-Total	kshs	kshs	kshs	kshs		Kshs	
Construction of civil works							
1. Interways works –invoice	0		0		0	0	
Sub-Total	0		0		0	0	
Sub-Total							
Supply of services							
2. Elly Aguko- consultancy	0		0		0	0	
3. Losai management ltd	4,358,526		4,358,526		0	1,075,378	Paid in full
4.							
Sub-Total	4,358,526		4,358,526		0	1,075,378	
Grand Total	4,358,526		4,358,526		0	1,075,378	

The pending bills includes consultancy fee for independent verification of the outputs due to M/s Losai Management Ltd paid during the period.

18. ANNEX 2B - ANALYSIS OF PENDING STAFF BILLS

As explained in note 9.2 there were no pending staff bills during the period.

19. ANNEX 2C - ANALYSIS OF OTHER PENDING PAYABLES

As explained in note 9.3 there were no pending staff bills during the period.

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20. ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2017/18	* Purchases/Additions in the Year (KShs) 2018/19	** Disposals in the Year (KShs) 2018/19	Transfers in/(out) Kshs 2018/19	Closing Cost (KShs) 2020
	(a)	(b)	(c)	(d)	(e)= (a)+(b)-(c)+(-)d
Land					
Transport equipment/Motor vehicles	10,800,000	-	-	-	10,800,000
Total	10,800,000	-	-	-	10,800,000

APPENDICES

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

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ANNEX 4
FIXED ASSETS REGISTER

ASSET DESCRIPTION	ASSET CATEGORY	ASSET NO.	ACQUISITION DATE	PURCHASE COST(KSHS)	PHYSICAL LOCATION	CURRENT CONDITION
1 Isuzu Dmax 716 TFS Pickup	Motor Vehicle	KCR 073F	18/04/2018	5,400,000	Informal settlement Region	In good condition
2 Isuzu Dmax 716 TFS Pickup	Motor Vehicle	KCQ 914Z	18/04/2018	5,400,000	Ngethu Department	In good condition
				10,800,000		