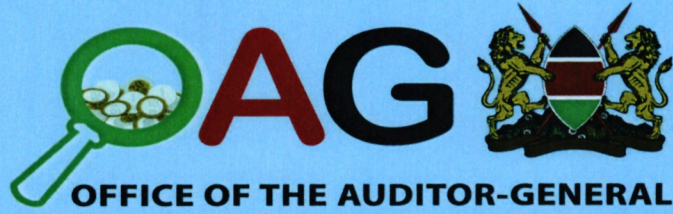


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*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 18 FEB 2021

DAY.
Thursday

PARLIAMENT  
OF KENYA  
LIBRARY

OF

TABLED  
BY:  
SECRETARY  
GENERAL

L. D. M
P. Muga

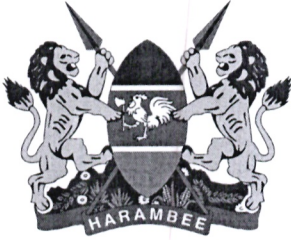
**THE AUDITOR-GENERAL**

**ON**

**TRILATERAL DEVELOPMENT  
COOPERATION IN KENYA, WATER  
AND SANITATION SECTOR PROJECT  
(CREDIT No. BMZ 201365352)**

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

**LAKE VICTORIA SOUTH WATER  
WORKS DEVELOPMENT AGENCY**



# KFW



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30012, 00100, NAIROBI  
KENYA

16 DEC 2020

RECEIVED

**Project Name TRILATERAL DEVELOPMENT COOPERATION IN KENYA, WATER AND  
SANITATION SECTOR**

**Implementing Entity: LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

**PROJECT CREDIT NUMBER BMZ No.2013 65 352**

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## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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



**TABLE OFCONTENTS**

- 1. PROJECT INFORMATION AND OVERALL PERFORMANCE ..... 1
- 2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES ..... 4
- 3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2020 ..... 5
- 6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS ..... 8
- 7. NOTES TO THE FINANCIAL STATEMENTS..... 9
- 8. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS..... 13

## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** The project's official Name is **Trilateral Development Cooperation in Kenya, Water and Sanitation Sector**

**Objective:**

The key objective of the project is The Protection of Lake Victoria Urban Waste Discharges in Migori and Homa Bay Towns as contributions to Integrated Water Resources Management (IWRM)

**Address:** The project headquarters offices are:  
Lake Victoria South Water Works Development Agency  
Lavictor's House, Ring Road Milimani  
P. O. Box 3325 -40100  
Kisumu City, Kenya.

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

Telephone: (254) (0)57 2025128

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

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

### 1.2 Project Information

Project Start Date:	The project start date is 26/02/2015
Project End Date:	The project end date is 30/06/2020
Project Manager:	The project manager is Eng. George Odedeh
Project Coordinator:	The project Coordinator is Eng. Michael Opany
Project Sponsor:	The project sponsor is KFW and Government of Kenya

### 1.3 Project Overview

Line Ministry	Ministry of Water and Sanitation.
Project number	BMZ No.2013 65 352
Objectives of the project	<ul style="list-style-type: none"> <li>(i) Conduct Feasibility study for management of liquid sludge and solid waste in the Lake Victoria Basin Towns Migori and Homa Bay</li> <li>(ii) Establishment of an Industrial Waste Management Information System (IWMIS) and management toolkit for Homa Bay and Migori</li> </ul>

**Trilateral Development Cooperation in Kenya, Water and Sanitation Sector  
Reports and Financial Statements  
For the financial year ended June 30, 2020**

	<p>Towns and their Environs</p> <p>(iii) Feasibility study of supplementary investments in the water distribution system of some areas of Homa Bay</p> <p>(iv) Needs assessment and concept for a regional Training and Research Centre for holistic approach to waste Water Management</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) Protection of Lake Victoria from</p> <p>(ii) the Urban discharges in Migori Homa Bay Towns</p>
Project duration	The project started on 26 <sup>th</sup> February 2015 and is expected to run until 30 June 2020

#### 1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank Limited  
P. O. Box 17 -40100  
Kisumu, Kenya

#### 1.5 Auditors

The Auditor General  
Office of the Auditor General (OAG)  
P. O. Box 30084 -00100  
Nairobi, Kenya

#### 1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Eng. Michael Opany	Project Coordinator	Bsc Civil Engineering, Msc.	Coordinate the activities of the Project
Kelvins Otieno	Accountant	B com, CPA	Project Accountant
George Ageng'o	Chemist	Ma in Project planning and management	Environmentalist

**Trilateral Development Cooperation in Kenya, Water and Sanitation Sector  
Reports and Financial Statements  
For the financial year ended June 30, 2020**

Diana Adhiambo	Community Development Expert	Bachelor of Arts	Mobilize the community for the Project
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### 1.7 Funding summary

The Project is for duration of 5 years from 2015 to 2020 with an approved grant of Euros 700,000 which is equivalent to Kshs 76.6 Million as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date (30.06.20)		Undrawn balance to date (30.06.19)	
	Donor currency (Euros)	Kshs	Donor currency (Euros)	Kshs	Donor currency (Euros)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>						
KFW	700,000	76,600,000	521,095	66,332,758	178,905	10,267,242
<b>(ii) Counterpart funds</b>						
Government of Kenya	0	0	0	0	0	0
<b>Total</b>	<b>700,000</b>	<b>76,600,000</b>	<b>521,095</b>	<b>66,332,758</b>	<b>178,905</b>	<b>10,267,242</b>

### 1.8 Summary of Overall Project Performance:

- Budget performance for the project which is under feasibility for the current year under review was at 76% Absorption.
- The project is under feasibility study and no works has been commenced.
- The implementation challenges are basically on land issues and budget constraints which the Government have intervene and more support for the budget especially counterpart funding is still needed for the completion of the project.

### 1.9 Summary of Project Compliance:

- There are no non-compliance issues with applicable laws and regulations, and essential external financing agreements/covenants that are in the project

Trilateral Development Cooperation in Kenya, Water and Sanitation Sector  
Reports and Financial Statements  
For the financial year ended June 30, 2020

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**2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Chief Executive officer for the LVSWWDA and the Project Coordinator for Trilateral Development Cooperation in Kenya, are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes:

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

The Chief Executive officer for the LVSWWDA and the Project Coordinator for Trilateral Development Cooperation in Kenya, Water and Sanitation 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 for the LVSWWDA and the Project Coordinator for Trilateral Development Cooperation in Kenya, Water and Sanitation are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. Chief Executive officer for the LVSWWDA and the Project Coordinator for Trilateral Development Cooperation in Kenya, Water and Sanitation 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 for the LVSWWDA and the Project Coordinator for Trilateral Development Cooperation in Kenya, Water and Sanitation confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by the Chief Executive officer for the LVSWWDA and the Project Coordinator on 28/09/2020 and signed by them.

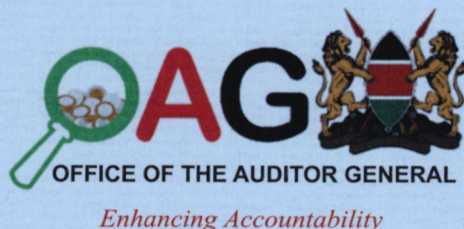
  
\_\_\_\_\_  
Chief Executive Officer  
Eng. George Odedeh

  
\_\_\_\_\_  
Project Coordinator  
Eng. Michael Opany

  
\_\_\_\_\_  
Project Accountant:  
Kelvins Otieno  
ICPAK MNo: 9939

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON TRILATERAL DEVELOPMENT COOPERATION IN KENYA, WATER AND SANITATION SECTOR PROJECT (CREDIT No. BMZ 201365352) FOR THE YEAR ENDED 30 JUNE, 2020 – LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Trilateral Development Cooperation in Kenya, Water and Sanitation Sector set out on pages 5 to 13, which comprise the statement of financial assets as at 30 June, 2020 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 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 Trilateral Development Cooperation in Kenya, Water and Sanitation Sector Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. BMZ 201365352 dated 28 September, 2015 and the Public Finance Management Act, 2012.

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

##### **1.0 Sustainability of the Project**

Physical verification of the project during the month of October, 2020 revealed that the project was behind the completion stipulated date of 30 June, 2020 as per the loan agreement. A letter ref: LVS/SWWMLV/KFW/130(18) dated 28 October, 2020 by the Ag. Chief Executive Officer, to the Principal Secretary, Ministry of Water, Sanitation and Irrigation requested the loan disbursement window to be extended to 30 June, 2022 and the due date for the loan to be extended to June, 2032. The response to the request of the letter was not availed for the audit and since the Kenya Government had delayed in its contributions, the sustainability of the project could not be ascertained.

## **2.0 Non – Submission of the Previous Years’ Financial Statements**

As reported in the previous year’s audit for 2018/2019, the statement of receipts and payments for the year ended 30 June, 2020 reflects cumulative donor amount received to date as Kshs.66,332,758. Included in this balance is an amount of Kshs.35,353,521 which was received in 2015/2016 and 2016/2017. However, Management did not submit for audit review, the financial statements for the year 2015/2016 and 2016/2017 as required.

Consequently, the accuracy of the cumulative to date balance of Kshs.66,332,758 as at 30 June, 2020 cannot be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Failure to Open Bank Account and Maintain a Cash Book**

The statement of financial assets reflects a nil cash and cash equivalent. A review of the project records indicated that the Project Management used the Implementing Agency’s bank account for receipts and payments of the Project funds. This is contrary to Section 6.1 (d) of the financing agreement which requires the recipient of funds to maintain books and reports showing all costs incurred in connection with expert services and clearly identifying the services financed from the financial contribution. Management has attributed this to fact that payments were made by the Implementing Agency as the Project did not receive funding directly.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources Section of my report, I confirm that, nothing has

come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Changes in Project's Target Towns**

The project main objectives as per the financing agreement Section 1.2, dated 28 September, 2015 were to protect Lake Victoria from urban waste discharges in Migori and Homabay towns as contribution to an Integrated Water Resources Management (IWRM). However, a review of records availed for audit indicated that the town of Migori was removed and Kisii and Kericho towns were incorporated without prior approval from the Donor (KfW) as stated under Annex 2(3) of the financing agreement in regard to supervision of consulting services and amendments to the consulting contract.

Consequently, the Management is in breach of the agreement signed with the donor.

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 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 (KfW) Development Bank, 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 Trilateral Development Cooperation in Kenya, Water and Sanitation Sector 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.

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 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 money is applied in an effective manner.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the entity 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 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 Trilateral Development Cooperation in Kenya, Water and Sanitation Sector policies and procedures may deteriorate.

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


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

exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**


**31 December, 2020**

Trilateral Development Cooperation in Kenya, Water and Sanitation Sector  
 Reports and Financial Statements  
 For the financial year ended June 30, 2020

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

	NOTES	2020		2019		CUMMULATIVE TO DATE
		Receipts and payments controlled by the entity Ksh.	payments made by third parties Ksh.	Receipts and payments controlled by the entity Ksh.	payments made by third parties Ksh.	
<b>RECEIPTS</b>						
BAL B/F						
Transfer from financier	8.4	0	8,301,442	0	0	66,332,758
Transfer from government	8.3	0	0	0	0	0
<b>TOTAL RECEIPTS</b>		<b>0</b>	<b>8,301,442</b>	<b>0</b>	<b>0</b>	<b>66,332,758</b>
<b>PAYMENTS</b>						
Payment on services	9.3	0	8,301,442	0	0	66,332,758
						58,031,316
<b>TOTAL PAYMENTS</b>		<b>0</b>	<b>8,301,442</b>	<b>0</b>	<b>0</b>	<b>66,332,758</b>
<b>(DEFICIT)SURPLU S</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

  
 Chief Executive Officer  
 Eng. George Odede

  
 Project Coordinator  
 Eng. Michael Opany

  
 Project Accountant:  
 Kelvins Otieno  
 ICPAK MNo: 9939

Trilateral Development Cooperation in Kenya, Water and Sanitation Sector  
 Reports and Financial Statements  
 For the financial year ended June 30, 2020

4. STATEMENT OF FINANCIAL ASSETS AS AT 30<sup>TH</sup> JUNE 2020

		2020	2019
FINANCIAL ASSETS		Ksh	Ksh
Cash and Cash Equivalents			
Cash and Cash Equivalents	8.2	0	0
<b>TOTAL FINANCIAL ASSETS</b>		<b>0</b>	<b>0</b>
<b>REPRESENTED BY:</b>			
Surplus/(Deficit) for the year Gok		0	0
Surplus/(Deficit) for the year Donor		0	0
<b>NET FINANCIAL POSITION</b>		<b>0</b>	<b>0</b>



Chief Executive Officer  
 Eng. George Odedeh

28/09/2020  
 Date



Project Coordinator  
 Eng. Michael Opany

28/9/2020  
 Date



Project Accountant:  
 Kelvins Otieno  
 ICPAK MNo: 9939

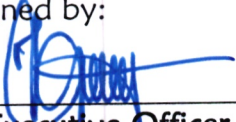
28/09/2020  
 Date

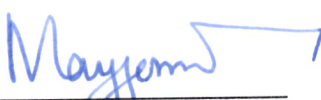
Trilateral Development Cooperation in Kenya, Water and Sanitation Sector  
 Reports and Financial Statements  
 For the financial year ended June 30, 2020


5. STATEMENT OF CASHFLOW FOR THE PERIOD 30<sup>TH</sup> JUNE 2020

		2020 Ksh.	2019 Ksh.
<b>Cash flow from Operating Activities</b>			
Receipts for Operating Income			
Transfer from Government entities		0	0
<b>Payments for Operating Expenses</b>	9.4		0
Payments on Services			
<b>Net Cash Flow from Operating Activities.</b>		<u>0</u>	<u>0</u>
Payment on Services	9.3	(8,301,442)	0
<b>Net Cash Flow from Investing Activities.</b>		<u>(8,301,442)</u>	<u>0</u>
<b>CASHFLOW FROM BORROWING/GRANTS</b>			
Proceeds from foreign Grants	8.4	8,301,442	0
<b>Net Cash Flow from Borrowings/Grants</b>		<u>8,301,442</u>	<u>0</u>
Net cash Increase/(Decrease ) in cash & Cash equivalents		0	0
Add: Cash and Cash equivalents at the <b>Beginning</b> of the year	8.2	0	0
Cash and Cash equivalents at the <b>End</b> of the year		<u><u>0</u></u>	<u><u>0</u></u>

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

  
 Chief Executive Officer  
 Eng. George Odedeh

  
 Project Coordinator  
 Eng. Michael Opany

  
 Project Accountant:  
 Kelvins Otieno  
 ICPAK MNo: 9939

28/09/2020  
 Date

28/09/2020  
 Date

28/09/2020  
 Date

Trilateral Development Cooperation in Kenya, Water and Sanitation Sector  
 Reports and Financial Statements  
 For the financial year ended June 30, 2020

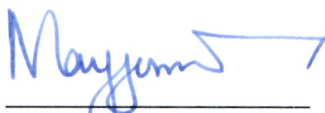
6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Transfer from Government entities	10,000,000	0	10,000,000	0	10,000,000	0%
Proceeds from Foreign Grants	50,000,000	0	50,000,000	8,301,442	41,698,558	17%
<b>Total Receipts</b>	<b>60,000,000</b>	<b>0</b>	<b>60,000,000</b>	<b>8,301,442</b>	<b>51,698,558</b>	<b>17%</b>
<b>Payments</b>						
Services	8,301,442	0	8,301,442	8,301,442	0	100%
<b>Total Payments</b>	<b>8,301,442</b>	<b>0</b>	<b>8,301,442</b>	<b>8,301,442</b>	<b>0</b>	<b>100%</b>

Note: The significant budget utilisation/performance differences to these financial statements is because the project is new and this is the first set of report.



Chief Executive Officer  
 Eng. George Odedeh



Project Coordinator  
 Eng. Michael Opany



Project Accountant:  
 Kelvins Otieno  
 ICPAK MNo: 9939

## 7. NOTES TO THE FINANCIAL STATEMENTS

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

### 8.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Project and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid out by the Project.

#### i. **Recognition of revenue and expenses**

The Project recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognises all expenses when the event occurs and the related cash has actually been paid out by the Project.

#### ii. **In-kind donations**

In-kind donations are contributions 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 of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

#### iii. **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/period. 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 had not been surrendered or accounted for at the end of the financial year/period.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

iv. **Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. 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.

v. **Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification 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. 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.

vi. **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.

vii. **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.

viii. **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020

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**8.2 CASH AND CASH EQUIVALENTS**

The project has no special project bank accounts spread within the project. consultancy foreign grant is paid directly to the Consultant

**8.3. RECEIPTS FROM GOVERNMENT OF KENYA**

	2020 Kshs	2019 Kshs
Counterpart funding through		
Counterpart funds Quarter 1	-	-
Counterpart funds Quarter 2	-	-
Counterpart funds Quarter 3	-	-
Counterpart funds Quarter 4	-	-
	<b>0</b>	<b>0</b>

**8.4 GRANTS FROM EXTERNAL DEVELOPMENT PARTNERS**

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

Name of Donor	Date received	Amount in Grant currency (Euros)	Grants received in cash	Grants received as direct payment*	Total amount in Kshs
			Kshs	Kshs	Kshs
					FY 2018/19
<b>Grants Received from Bilateral Donors</b>					
	31.01.2020	65,214	0	8,301,442	0
<b>Total</b>		<b>65,214</b>	<b>0</b>	<b>8,301,442</b>	<b>0</b>

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**9.0 PURCHASE OF WORKS, GOODS AND SERVICES**

	2020 Kshs	2019 Kshs
Payment for Civil works	0	0
Payment for Goods	0	0
Payment for Consultancy Services	8,301,442	0
Program management exp	0	0
	<b>8,301,442</b>	<b>0</b>

**9.2 Payment on Goods**

Date of Payment	Details	Contractor	Total
			0
<b>Total</b>			<b>0</b>

**9.3 Payment on Services**

Date	Details	Contractor	Amount
31.01.2020	Feasibility study and preliminary design	GKW Consult GmbH	8,301,442
<b>TOTAL</b>			<b>8,301,442</b>

**9.4 Programme Management Expenses**

DATE	DETAILS	AMOUNT	TOTAL
		-	-

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8. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	Non-Submission of Prior Years Financial Statements	The Financial year Statement for 2016/2017 was prepared and can be verified.	PA/PC	Resolved	30.06.2019

Chief Executive Officer

28/09/2020

Date

Project Coordinator

28/09/2020

Date