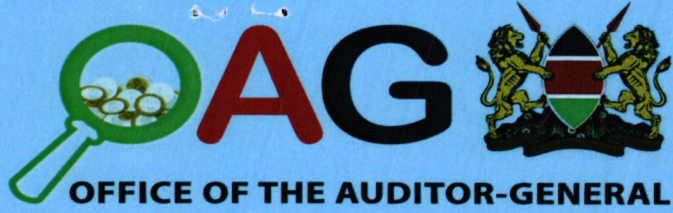


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REPORT

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THE AUDITOR-GENERAL

ON

**ATHI WATER WORKS
DEVELOPMENT AGENCY**

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



...

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ATHI WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Athi Water Work Development Agency (AWWDA) was established under the Water Act 2016 and Gazetted on 26th April 2019 to start operation on 3rd May 2019. Prior to operationalization of Section 152 of the Water Act 2016, the organization existed as Athi Water Services Board and covered Nairobi County, Kiambu County and only Gatanga constituency of Murang'a County. Currently AWWDA covers Nairobi, Kiambu and Murang'a Counties. The entity is domiciled in Kenya and its office is in Africa Re Center, 3rd floor and a section of 1st Floor.

AWWDA draws its mandate from the Water Act of 2016. As per the Act, the Agency's mandate include;

- a. Undertake the development, maintenance and management of National Public Waterworks;
- b. Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of waterworks are handed over to a county government, joint committee, authority of county government or water services provider,
- c. Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee,
- d. Provide technical services and capacity building to such county government and water providers,
- e. Provide to the cabinet secretary technical support in discharge of his or her functions under the constitution the Water Act 2016.

AWWDA is expected to contribute to accelerated delivery of water and sanitation services aimed at progressive realization of the right to water and reasonable standards of sanitation as provided for under Article 43 of the Constitution which states that, "every person has the right to reasonable standards of sanitation and to clean and safe water in adequate quantities".

(b) Principal Activity

The principal activity of the AWWDA is to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Nairobi County, Kiambu County and Muranga County.

Vision

AWWDA's Vision is "Access to clean, sustainable water services for all".

Mission

The Mission is "To increase access to water services through innovative development, maintenance and management of water services infrastructure for socio-economic growth".

Value Proposition

The Value Proposition is "**Clean Water for a Healthy and Prosperous Nation**"

Core Values

AWWDA's Core values are:

- i. **Professionalism and hard work:** We execute our mandate and engage our stakeholders with due care, skill and competence.

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- ii. **Respect:** We relate with our stakeholders with dignity, equity and non-discrimination.
- iii. **Integrity:** We exercise honesty and accountability in our activities.
- iv. **Fairness:** We embrace social justice and inclusiveness in our engagements.
- v. **Transparency:** We conduct our business in an open manner and effectively communicate with stakeholders
- vi. **Teamwork-** We shall positively cooperate to ensure achievement of our mandate.

The AWWDA's key strategic objectives are to:

1. To increase the percentage of the population with access to safe water within the area of jurisdiction from 72.1 percent to 80 percent by 2022.
2. To increase percentage of the population with access to sewerage within the area of jurisdiction from 47% to 70% by 2022
3. To initiate resource mobilization strategies to generate Kshs. 234.775 Billion for financing water and sanitation infrastructure development by 2022.
4. To operationalize bulk water services provision by 2020
5. To promote research, development and adoption of appropriate technology.
6. To strengthen leadership and governance for efficiency and productivity.
7. To pursue water and sanitation infrastructure development while ensuring human resources, financial and environment sustainability.

(c) Key Management

The *entity's* day-to-day management is under the following key organs:

- Chief Executive Officer
- Chief Manager-Water, Sewer and Sanitation
- Chief Manager- Finance and Strategy
- Chief Manager- Corporate Services

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Eng. Michael M. Thuita
2.	Chief Manager-Finance and Strategy	CPA Michael Kihungi Kimotho
3.	Chief Manager-Water, Sewer and Sanitation	Eng. Joseph Kamau
4.	Ag. Chief Manager Corporate Services	Mr. Tom Ongaki

(e) Fiduciary Oversight Arrangements

The ultimate oversight authority of Athi Water Works Development Agency is exercised by the Board of Directors through the Full Board. To ensure that good corporate governance is enhanced and that power is properly exercised

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in the stewardship of the corporation's total portfolio of assets and resources to maintain stakeholder value, the Board of Directors has established three committees:

- i. Water and Sewerage
- ii. Resources and Governance
- iii. Audit and Risk

(f) Entity Headquarters

Athi Water Works Development Agency
P.O. Box 45283-00100 GPO
Africa-Re Centre, 3rd Floor
Hospital Road-Upper Hill
NAIROBI

(g) Entity Contacts

Telephone: (254) 020 2724292/3
E-mail: info@awwda.go.ke
Website: www.awwda.go.ke

(h) Entity Bankers

- | | | |
|--|---|---|
| 1. Kenya Commercial Bank
Kipande House Branch
NAIROBI | 2. Cooperative Bank of Kenya
University Way Branch
NAIROBI | 3. SBM Group
Upper Hill Branch
NAIROBI |
| 4. NCBA Bank
Upper Hill
NAIROBI | | |

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KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

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THE BOARD OF DIRECTORS




The Board of Directors who held office during the year were:

	<p>Chairman of the Board; appointed on 7th May 2019 Eng. John Kiragu Chege, Chairman of Athi Water Works Agency, Board of Directors, born in 1954, holds a Bsc degree in Mechanical Engineering from University of Nairobi and Msc Metallurgical Processes management from Sheffield England. He has been trained in many countries abroad in specialised fields covering design, material, development, construction and Quality Assurance and control evaluation systems.</p> <p>He is a Registered Professional Engineer with 40 years of public and private sector experience dedicated to local capacity development in manufacturing and construction through personnel training, Research and development, Quality Assurance and control programs.</p> <p>He promotes use of advanced technology Nondestructive testing (NDT) and condition monitoring applications for infrastructure projects such as water, oil and gas, transport and manufacturing industries. He has been the country representative to ICNDT for over 20 years.</p> <p>He was in the 11th parliament as the Member of Parliament for Limuru Constituency in Kiambu county. Eng Kiragu served in Housing and Infrastructure committee and also the Public investment committee of the National Assembly.</p>
	<p>Mr Godfrey Ninito Lemiso was born on 24th December 1969. He holds a bachelors of Arts degree in geography and history from Kenyatta University, a masters of arts in peace and justice studies from University of San Diego California, USA.</p> <p>He has over 30 years of work experience having served in various positions such as conflict management officer with the World Bank from 2007 to 2009, program officer with the UNDP from 2009 to 2010. Mr Ninito has also worked for the IEBC as the Manager Electoral planning and logistics for seven years. He is currently serving the jubilee party in the position of Director Logistics and events.</p> <p>Over the years Mr Godfrey Ninito has been honored with various awards one of them being 2000 PEACENET PEACE AWARD in recognition of peace initiatives he undertook in Narok and Trans Mara districts during 1992-1997 ethnic clashes. He serves as the chair of the NSCs capacity building and training subcommittee, member of Board of Governors of Kibiko Secondary School</p>
	<p>Ms Beatrice Njeri Maina was born on 20th November 1990 and she holds a Bachelor of Arts degree in community development from Mount Kenya University. She also has a diploma in Community development and social work from MT Kenya University.</p> <p>She has served the public in various positions; office administrator in the office of Muranga women rep in 2015, director of philanthropy and social welfare in 2016. Currently Beatrice serves as the executive director and Chief Executive Officer Greening Kenya Foundation a Non-Profit registered organization focussing environmental conservation, tree planting, forest protection, Governance, awareness and advocacy.</p>

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 <p>Hon. Peter Irungu Kihungi</p>	<p>Hon Peter Irungu Kihungi was born on 9th September 1977 and he has a diploma in business management from pioneer international university.</p> <p>He has over 10 years work experience in public sector. He has served as councilor and chairman of Muranga county council from 2007 to 2013, member of county assembly and leader of majority from 2013-2017. He is currently an aspiring member of parliament for Kangema constituency.</p> <p>Hon. Peter Irungu Kihungi has been active in leadership articulating issues that matter to the people and promoting and defending government policies. He has strong leadership, communication, negotiation and persuasion skills.</p>
 <p>Sheila P.M. Mutunga</p>	<p>Ms Sheila P.M.Mutunga was born on 30th August 1954 in Machakos County. She is holder of higher diploma in Counselling Psychology and a degree in Theology She has attended various courses on the same over the years and is currently pursuing a degree in Counselling Psychology & Leadership.</p> <p>Ms Mutunga is a retired Civil Servant in the Ministry of Foreign Affairs and Kenyan Diplomat in United Kingdom, Italy and some African Countries. She has worked in various government and non-governmental organizations. She worked as Italy representative for (<i>Umoja As One</i>) an NGO that promotes, advocates and supports peace, unity and togetherness. Sheila was seconded to IGAD in 2002 where she was assigned special duties to the special envoy for Somali peace process.</p> <p>She was a parliamentary candidate in 2007 and 2013 and is keen on pursuing politics in future. She has been active in community work, promoting women and youth welfare groups while working with community-based organizations.</p>
 <p>Benedict O. Kijuu</p>	<p>Mr Benedict O. Kijuu was born on 13th Feb 1962 and he holds bachelors of commerce degree in banking. He has participated in various training such as corporate governance course for directors, public sector governance risk and compliance course, board evaluation seminar among others. He is a member of Institute of Directors</p> <p>Mr. Kijuu has expansive experience in both private and public sector. At Kenya planter's cooperative union, he served as the personnel manager from 1988 to 1997, he serves as a committee member of the Nairobi International Trade Fair. He also served as a member of Athi water services board from 2015 to 2018.</p>
 <p>Mr. Francis Anyona</p>	<p>Alternate Director representing the Principal Secretary of the National Treasury. Holds a Masters and Bachelor's Degree in Economics from the University of Nairobi. Has over 25 years' experience in Planning and Budgeting/Public Finance Management in the Public Sector. Previously served as an Alternate Director in the National Government Constituency Development Fund, Kenya National Bureau of Statistics, and Coffee Research Foundation. Currently is the Director of Budget at the National Treasury and A Commissioner representing the Cabinet Secretary at the Salaries and Remuneration Commission</p>

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	<p>Alternate Director representing the Principal Secretary of the Ministry of water and sanitation. Holds Master of Business Administration (Project Management) from Kenyatta University and Bachelor of Arts in International Relations from United States International University of Africa.</p> <p>Currently serving as the Secretary Administration in the Ministry of Water and Sanitation from 5th October 2017. Mr Keter has also served as an Alternate Director to Principal Secretary Ministry of Water and Sanitation at Tanathi Water Services Board, Ministry of Interior rising from the rank of District Officer to the rank of County Commissioner.</p>
	<p>Eng Michael Thuita is the Chief Executive Officer. He holds a Bachelor's Degree in Agriculture Engineering and is registered with the Engineers Registration Board and Institution of Engineers of Kenya. Eng. Thuita has more than 20 years practical Engineering and management experience in Water, Irrigation and Natural Resources. He was appointed on 6th June 2017</p>
	<p>CS Joyce N. Mukururi</p> <p>She is an Advocate of the High Court and was admitted to the bar in October 2006. She Holds a Bachelor of Laws Degree, a Diploma in Law from the Kenya School of Law and is a Member of the Law Society of Kenya.</p> <p>She is a Certified Secretary of 10 years standing and a registered member of the Institute of Certified Secretaries.</p> <p>She is also a Certified Professional Mediator.</p> <p>She has a wealth of experience in the Mining, Reinsurance, Banking and Hospitality sectors.</p> <p>She is an appointee of Career Directions Limited a consultancy firm appointed to advise AWWDA on governance matters. Under the consultancy the firm was required to provide a corporation secretary for AWWDA. They in turn appointed CS Joyce N. Mukururi to act as AWWDA Corporation Secretary on 29th April 2019.</p>

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The board of directors who retired in the financial year:

 <p>Wachira M. Keen</p>	<p>Mr Wachira M. Keen was Born in 1970, He was appointed as the Chairman of the Board as from 22nd January 2016 for a term of three years which and retired on 21/1/2019 having served for a period of three years. He was Born in 1970, he has a Bachelor of Business Administration and was undertaking a Master in Business Administration.</p>
 <p>Mr. Billy Arocho Otunga</p>	<p>Mr. Billy Arocho Otunga was Born 1976 and is a successful businessman; He has experience in the security industry and was appointed as a director on 9th October 2015 and retired on 8th October 2018</p>
 <p>Mr. Francis Kariuki Muheria</p>	<p>Mr. Francis Kariuki Muheria was Born 1960, he was appointed as a director of the Board on 9th October 2015 for a period of three years which ended on 8th October 2018. He holds a certificate in computer programming.</p>
 <p>Ms. Bancy Njuguna</p>	<p>Ms. Bancy Njuguna was Born 1967; She was appointed as a director on 9th October 2015 for a period of three years which ended on 8th October 2018. She Holds a Bachelor of Commerce and was undertaking a Master in Business Management.</p>
 <p>Mr. Benedict O. Kijuu</p>	<p>Mr Benedict O. Kijuu was born on 13th Feb 1962 and he holds bachelors of commerce degree in banking. He has participated in various training such as corporate governance course for directors, public sector governance risk and compliance course, board evaluation seminar among others: He is a member of Institute of Directors</p> <p>Mr. Kijuu has expansive experience in both private and public sector. At Kenya planter's cooperative union he served as the personnel manager from 1988 to 1997, he serves as a committee member of the Nairobi International Trade Fair; he was appointed as director on 9th October 2019 for a period of three years which ended on 8th October 2018.</p> <p>Mr. Ben O. Kijuu was appointed to serve for a term of three years as from 7th May 2019.</p>

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Mr. Richard Kimani

Mr. Richard Kimani was Born 1972; He Holds Bachelor of Science Mechanical Engineering and a Master Degree in Business Administration. He was appointed as a director on 9th October 2015 for a period of three years which ended on 8th October 2018.



Ms. Ann Wanjiru Munga

Ms. Ann Wanjiru Munga was Born 1988; She holds Bachelor of Education. She was appointed as a director on 9th October 2015 for a period of three years which ended on 8th October 2018.



Ms. Margaret Mwago

Ms. Margaret Mwago was Born in 1969; She Holds a Bachelor Degree in Human Resources Management and a Master Degree in Project Planning. She was appointed as a director on 30th May 2016 for a three-year term which ended on 29th May 2019

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SENIOR MANAGEMENT TEAM

Name	Responsibilities and qualifications
 Eng. Michael M. Thuita	<p>Eng Michael Thuita is the Chief Executive Officer. He holds a Bachelor's Degree in Agriculture Engineering and is registered with the Engineers Registration Board and Institution of Engineers of Kenya.</p> <p>Eng. Thuita has more than 20 years practical Engineering and management experience in Water, Irrigation and Natural Resources. He was appointed on 6th June 2017</p>
 Eng. Joseph Kamau	<p>Eng. Joseph Kamau is the Chief Manager-Water, Sewer and Sanitation</p> <p>He holds a Bachelor's Degree in Civil Engineering and is registered with the Engineers Registration Board and Institution of Engineers of Kenya.</p> <p>Eng. Kamau has more than 20 year's practical Engineering and management experience in Water.</p> <p>Eng. Joseph Kamau was the Acting Chief Manager Corporate services up to 2nd May 2019</p>
 CPA Michael Kimocho	<p>CPA Michael Kihungi Kimocho is the Chief Manager Finance and Strategy</p> <p>He holds BA (Economics) and Masters In Business Administration from the University of Nairobi.</p> <p>He is a Registered member of the Institute of Certified Public Accountants and also a certified Information Systems Auditor</p> <p>He has over 15 years' experience in Finance in both Public and private organizations.</p>
 Mr. Tom Ongaki	<p>Mr. Tom Ongaki is the Acting Chief Manager-Corporate Services. He holds a Bsc Information Sciences and an Msc Computer Science.</p> <p>Mr. Tom Ongaki has over 24 years' experience.</p> <p>He was appointed as the Acting Chief Manager – Corporate Services with effect from 3rd May 2019</p>

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STATEMENT BY THE CHAIRMAN

Introduction

Athi Water Works Development Agency (AWWDA) posted yet another year of good and strong performance in the 2018/2019 financial year.

AWWDA continued to demonstrate a positive progress on investments undertaken in an effort to increase access to clean water and sanitation in Nairobi, Kiambu and Murang'a counties.

Despite challenges experienced in the year, AWWDA has continued focusing on key areas to maintain the momentum of progress necessary to meet the needs of our customers in our area of jurisdiction. These key areas are highlighted below.

Legal and Regulatory Framework

During the financial year Athi Water Services Board (AWSB) was transformed into Athi Water Works Development Agency (AWWDA) in line with the provision of Water Act, 2016 to serve as one of the eight regional agencies with a mandate to serve Nairobi, Kiambu and Muranga counties.

Corporate Governance

A new team of AWWDA Board was ushered in the year, composed of persons with diverse backgrounds each bringing unique skills and experience to help in providing leadership to the Agency.

In ensuring the AWWDA Board aligns itself with the tools to ensure proper oversight and leadership requirement of an effective board, three committees were formed as follows;

- Water and Sanitation
- Resources and Governance
- Audit and Risk

In addition, the board has developed and issued the following governance tools necessary for the board and management to use as they execute their mandates.

- Board Governance Framework
- Board Charter
- Conflict of Interest policy
- Board of Directors Code of Conduct and Ethics
- Whistle Blower Policy

The above tools clearly define roles, responsibilities and powers, values and principles as the board guides management in setting direction and control of AWWDA.

Strategic Focus

AWWDA strategic focus has been reviewed with a key goal of ensuring continued growth, sustainability, efficiency and above all value for money for the investment towards increased access to water and sanitation by application of right technology, research, innovation, leadership and governance.

Accelerating access to Water

AWWDA has set its targets on accelerating access to water so as to conform to the demands and provisions of the Sustainable Development Goals (SDGs), Kenya's Vision 2030 and the country's Big Four Agenda. Water coverage in the Agency's area of jurisdiction is approximately 72.1% and the Agency intends to increase the average water coverage to 80% in the next five years.

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During the year 2018/2019, we continued to implement water works comprising of development of new water sources to increase production, development of bulk water transmission infrastructure, water treatments plants and water distribution network in Nairobi, Kiambu and Murang'a counties.

Accelerating access to Sanitation

Access to sewerage sanitation in AWWDA's area jurisdiction averages at 35.4% and we target to increase the average sanitation coverage from 35.4% to 60% in the next 5 years in the counties of Nairobi, Murang'a and Kiambu. The Agency will do this by addressing the aging networks and upgrading the sewerage systems amongst other measures. We continue to mobilize resources with a targeted interest in addressing the low sanitation coverage within our area of jurisdiction.

In the year 2018/19, the Agency mobilized resources from the development partners for the implementation of last mile connectivity to utilize the already laid trunk mains and optimize the rehabilitated waste water treatment plants.

The programs under the second phase will involve rehabilitation and expansion of sewage infrastructure, construction of reticulation sewers and household connections. In enhancing increased sanitation coverage, special attention continues to be given to our informal settlements where coverage is particularly low against high population intensity.

Resource mobilization

In order to fill the water and sanitation coverage gaps, there is need to mobilize adequate financial and human resources. These resources will be mobilized from internal financing, government grants, development partner grants and loans. This will be enabled by the already good relationship made between the Agency and the Government of Kenya and the trust and confidence bestowed upon the Agency by numerous development partners.

Alignment to the Big Four Agenda and vision 2030

In the period under review, serious considerations were made to ensure AWWDA aligns its development programs to the needs of the Big Four Agenda and Vision 2030.

Among the key projects to improve the water supply to Nairobi, Kiambu and Murang'a to support the manufacturing, affordable housing, food and nutrition, security and universal health coverage is 4th Nairobi Water project comprising of the Northern Collector Tunnel and associated works, the Karimenu and Ruiru II Dam. To AWWDA, water and sanitation in this alignment becomes a driver of the Big Four Agenda as no single component of this agenda can be successful without this vital service.

Research and Innovation

Research and Development in Water and Sanitation infrastructure development, management and maintenance continues to be an integral role in achieving the Agency's goals.

Innovation in sanitation will be emphasized to bring in new technologies that are safe, efficient and cost effective in managing faecal sludge across the sanitation service chain bringing commercial by-products such as clean water, heating materials, fertilizer etc.

Collaboration with stakeholders, Institutions of Higher Learning, Research Institutions and County and National Governments will be encouraged to lay a solid foundation to combat special challenges in informal settlement.

Stakeholders Relations

In the spirit of not leaving any one behind, the board will continue to consult regularly with all stakeholders covering consumers, community leaders, the public, water services providers, developing partners, sister water agencies, experts, national and county governments, with regard to major issues of concern such as high non-revenue water, loan payments on investments among others.

We recognize our stakeholders as integral participants in the long-term planning and implementation of solution-oriented initiatives. We commit to continue with rigorous stakeholder engagement processes based on principles of inclusiveness, accessibility, transparency and positive contribution.

I believe that each interaction is an opportunity to rebuild trust, improve business results, and transform people's lives. We strive to be a positive corporate partner to the communities and the stakeholders we serve.

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Looking Forward

Our business is to ensure provision of adequate and safe water and sanitation services, maintain the integrity of our systems, manage a strong water and sanitation supply asset portfolio, and effectively deal with water scarcity and low sanitation coverage issues. 2018/19 financial year amounted to another strong year in a new era and we shall continue creating value in every aspect. It inspires us to adhere to our proven strategy with the aim of building on our success, year after year.

Appreciation

On behalf of the Board Members, I wish to acknowledge priceless support in policy guidance and resources by the National Government through the Ministry of Water, Sanitation and Irrigation and other government Agencies, the County Governments of Nairobi, Murang'a and Kiambu and their Water Services Boards for their cooperation as we work towards serving people in the region.

Our development partners for their continued support and confidence in AWWDA and their challenge to always deliver more efficiently to all in the society. To our service providers for embracing our values and understanding the immense responsibility bestowed on us to have value for money for our undertakings.

To the management and the staff of AWWDA; through you we continue to achieve new targets and through you, AWWDA will grow to be the preferred determination of integrity, efficiency and dedication to public service

Thank You.



ENG. JOHN KIRAGU CHEGE
CHAIRMAN

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REPORT OF THE CHIEF EXECUTIVE OFFICER

Introduction

The 2018/19 financial year delivered great achievements in terms of resource mobilization and setting in motion the growth of Athi Water as the centre of excellence on matters water and Sanitation. It is also the year in which we transitioned from a Water Services Board to a Water Works Development Agency. The transition provides opportunities for AWWDA to increase access to clean water as well as improved sanitation.

During the year the Agency received excellent rating of 99% from the Commission on Administrative Justice (Ombudsman) for resolving complaints by consumers. Our key focus for the financial year 2019/20 is to ensure that we continue holding customers at the heart of all that we do, creating an even safer working environment, enhancing service delivery and effectively implementing our sector leading Masterplan.

The government has highlighted the need to fast track economic recovery by identifying four key priorities of manufacturing, affordable housing, affordable healthcare and food security. As an important enabler, investment in water and sanitation infrastructure will significantly contribute towards the achievement of the government agenda. In order to address the national development agenda, such as the constitutional requirement, the Kenya's Vision 2030, MTP III, the "Big Four" Agenda, SDGs, Agenda 2063 as well as other national and international priorities, AWWDA will institutionalize its new roles and accelerate the development, maintenance and management of the National Public Waterworks in line with national and international priorities.

Project Implementation

The Portfolio of the projects under implementation increased in the financial year 2018/19 albeit several challenges including: acquisition of Way leaves, delays in issuance of VAT exemptions and budget cuts. Despite these challenges, The Government of Kenya and Development Partners continued to entrust AWWDA with the implementation of projects within its area of jurisdiction (Nairobi, Kiambu and Muranga counties) as well as projects in other Water Works Agencies' jurisdiction. In the year, AWWDA continued to implement projects that support increased access to Water and Sanitation services, Key among them being: the 4th Nairobi Water Supply Development Project, a Vision 2030 project that will transform the water situation in Nairobi City, which is the Business Hub for East Africa and the Kenya Towns Water and Sanitation Programme.

Sustainability and responsibility in focus

I take note that purpose-driven organizations are the only ones with sustainable futures. As we implement our programs we want to reduce the inequalities in water service provision by taking a more sustainable approach to business and strengthening our commitment to meeting the environmental and stakeholder's needs. We aim to transform our society through corporate social investment, environmental protection and in the developmental projects. AWWDA has ensured increased allocation of procurement of goods and services to Kenyan residents and giving more emphasis to gender mainstreaming and marginalized groups. Our direct contribution to the latter is through the rollout of GoK Policy of allocating 30% of tenders to the youth, women and persons with disability. AWWDA continues to undertake Strategic Environmental Assessments (SEA) to protect the environment and promote sustainable development. At AWWDA we have zero tolerance to unethical behaviour, we provide equal opportunities to all, encourage diversity and an inclusive culture in our operations.

Our People

We recognize that talent, commitment and hard work of our people is the foundation of our success. As a responsible employer we are focused on employee wellbeing, retention, training and development, productivity and, above all, an unwavering commitment to health and safety. The Staff of AWWDA have immensely contributed to the achievements of this great organization. During the 2018/2019 financial year, the Human Resource instruments were approved to guide the institution to greater heights. I would like to personally thank the Great Athi Team for all their enthusiasm, engagement and commitment.

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Our commitment

At AWWDA we aim to deliver a safe, reliable and value-for-money services to our stakeholders. We do so by ensuring that we provide adequate returns and Value for Money to the public, to our Government and Development Partners who provide us with the capital that we require to fund continued investment and maintenance of the infrastructure network.

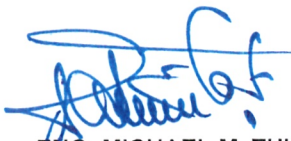
Outlook

Our ambition is to drive a high-performance culture, putting service delivery and innovation at the heart of AWWDA, remaining true to our values and our purpose of accelerating access to water and improved sanitation. My key focus in the coming Year is to:

- **Adopt Effective Governance:** A strong governance framework provides oversight and support to the Agency including robust decision-making and performance management processes.
- **Develop of High Quality Assets:** We invest in the construction of world-class facilities and plants that use state-of-the-art technology. We engage the best people to maintain and operate our assets; we will invest in the maintenance and improvement of our services, operations and assets and constantly seek more sustainable ways of working to protect, enhance and reduce our impact on the natural environment as our contribution to the presidential directive in safeguarding the environment.
- **Strengthen our resource mobilization capacity:** The strength of our proposition and investor confidence originates from our performance track record. As a result of the excellent performance, AWWDA continues to attract long term financing for its strategic asset development.
- **As part of our stakeholder engagement:** I intent to work closely with our suppliers, contractors and consultants in a bid to ensure that their performance meets our expectations. We expect them to uphold our standards, align with our policies, protect human rights and promote good working conditions.
- **Manage Risk by putting in place a comprehensive and fully embedded risk management processes** that will assist us in identifying and managing risks, so that we can take advantage of the opportunities at our disposal in order to deliver the Agency's strategy and objectives.

Appreciation

Finally, I want to say thank you to Board of Directors, the Great Athi Team (GAT), the Ministry of Water and Sanitation and Irrigation, the National Treasury, Development Partners, County Governments, Water Service Providers(WSPs) and all stakeholders for their good work in 2018/2019FY and especially for their support to me as CEO. I very much look forward to working with you all in 2019/2020FY and beyond in the delivery of AWWDA's long-term priorities.



ENG. MICHAEL M. THUITA
CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE STATEMENT

Introduction

The AWWDA Board is committed to maximizing the long-term value of services to all stakeholders. The Board seeks to ensure that Athi Water Works Development Agency (AWWDA) is properly managed to protect and enhance stakeholder interests, and that AWWDA, its directors, officers and employees operate in an appropriate environment of corporate governance. The Board has developed a governance framework which includes adopting internal controls, risk management processes and corporate governance policies and practices, designed to promote responsible management and ethical conduct. The Board Governance framework is documented and duly approved by the Board.

AWWDA has developed Governance instruments in line with the Constitution of Kenya 2010, Mwongozo -Code of Governance for State Corporations, the Water Act, 2016, the State Corporations Act, Cap.446 and other applicable Laws and best practises to facilitate good corporate governance practises.

The Board

The Board comprises of a Chairperson, Board Members and the Chief Executive Officer. The Board is also supported by Board Committees and a Corporation Secretary.

The Board is the apex governance organ and provides overall strategic guidance for AWWDA and effective oversight of management. The Board sets and actualises the overall strategy and policy framework. This is enjoined with the formulation of AWWDA's vision, mission and core values. The Board also bears the responsibility of formulating, approving and ensuring operationalisation of the organisational structures, systems and governance policies.

Roles and Functions of the Board

The role and responsibilities of the Board are listed in Chapter 3 of the Board Charter and are summarised as follows:

- To review, evaluate and approve on a regular basis, long term plans for AWWDA
- To review, evaluate and approve AWWDA's budget and financial forecasts
- To review, evaluate and approve major resource allocations and capital investments
- To ensure that the procurement process is cost effective and delivers value for money
- To review and approve the operating and financial results for AWWDA
- To ensure effective, accurate, timely and transparent disclosure of pertinent information on AWWDA's operations and performance
- To ensure that effective processes and systems of risk management and internal controls are in place
- To review evaluate and approve the overall organisational structure, assignment of senior management responsibilities and plans for senior management development and succession
- To review, evaluate and approve the remuneration structure of AWWDA in consultation with relevant government agencies
- To adopt, implement and monitor compliance with AWWDA code of Conduct and Ethics
- To review the attainment of targets and objectives set in the agreed performance measurement framework within the Government of Kenya
- To review periodically AWWDA's strategic objectives and policies relating to sustainability and social responsibility/investment
- To monitor compliance with the Constitution, all applicable laws, regulations and standards
- To review and ensure that AWWDA is effective and effectively delivering on its mandate.

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The Board has established committees with specific terms of reference so as to effectively discharge its mandate. The standing committees of the Board which are subject to review from time to time are as follows:

- a) Water and Sewerage Committee
- b) Resources and Governance Committee
- c) Audit and Risk Committee

The Board Members remain individually and collectively responsible for the decisions and actions taken by any committee.

Board Charter

The roles and responsibilities of directors as well as functions and structure of the Board are provided in the Board Charter. The Board is structured in a way that supports the members in carrying out their oversight function. It provides the Board Members with an opportunity to think creatively and critically on how their strategic and operational plans align with the organisation's strategic direction and expectations founded on good governance. The Charter helps the Board in directing AWWDA to maximise long term value of services provided to all stakeholders.

The Charter has been adopted by AWWDA acting in accordance with Mwongozo Code of Governance for State Corporations and is complementary to the requirements regarding the Board and the Board Members contained in applicable Kenyan Laws and regulations.

The Charter guides the Board on the following matters;

- Best practices and principles and Constitutional principles and requirements
- Board composition, terms and structures
- Board responsibilities, principles and procedures
- Board meetings, attendance and decisions
- Other Provisions- Conflict of interest of Board Members, Compensation of Board Members, Induction, ongoing training and Education, confidentiality etc

Appointment of Directors

The Directors of AWWDA are appointed pursuant to section 66(1) of the Water Act, 2016. The Act provides that the Board should consist of a Chairperson and four other members appointed by the Cabinet Secretary responsible for matters relating to water and the Chief Executive.

Pursuant to section 6 of the State Corporations Act, Cap 446, the Board also comprises of the Principal Secretary of the parent Ministry (in the case of AWWDA; the Ministry of Water and Sanitation) and the Principal Secretary to the National Treasury.

The appointments are by name or by office and by notice in the Kenya Gazette.

The First Schedule of the Water Act, 2016 is applicable on matters of membership and procedure of Water Works Development Agencies. The schedule provides the following guidelines on appointment:

- **Qualification of members:** In making the appointments, the appointing authority shall have regard to Article 10 of the Constitution of Kenya on national values and principles of governance, Article 232 of the Constitution of Kenya on values and principles of public service, the academic qualifications, professional experience, character and integrity of the potential candidates for appointment, gender, regional and ethnic diversity. (section 2 of the Schedule)

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- **Identification for appointment:** The Chairperson and members shall be identified for appointment through an open competitive process (section 2(2) of the First schedule)
- **Term of office:** A member shall hold office for such term not exceeding three years as may be specified by the instrument of appointment. A member shall be eligible for reappointment for one further term.

Further, the Water Act, 2016 provides that the Chairman and the four other members appointed must be from a county within the basin area. The geographical area of jurisdiction of AWWDA is defined in Legal Notice 28 of 26th April 2019 as Nairobi, Kiambu and Muranga.

AWWDA Directorships

In the Financial year 2018/19, significant changes took place in AWWDA as follows:

1. The name of the organisation was changed from Athi Water Services Board to Athi Water Works Development Agency. This was pursuant to Legal Notice No. 28 of 26th April 2019.
2. The term of 8 Directors appointed in Athi Water Services Board expired before the end of the financial year as follows;

No.	Name	Office Held	Date of Appointment	Term of Office	Date of Expiry
1.	Martin Wachira Maina	Chairman	22/1/2016	3 years	21/1/2019
2.	Margaret Mumbi Mwago	Member	30/5/2016	3 years	29/5/19
3.	Billy Arocho Otunga	Member	9/10/2015	3 years	8/10/2018
4.	Francis Kariuki Muheria	Member	9/10/2015	3 years	8/10/2018
5.	Bancy Wambura Njuguna	Member	9/10/2015	3 years	8/10/2018
6.	Ben Omondi Kijuu	Member	9/10/2015	3 years	8/10/2018
7.	Richard Karanja Kimani	Member	9/10/2015	3 years	8/10/2018
8.	Ann Wanjiru Munga	Member	9/10/2015	3 years	8/10/2018

3. Upon expiry of the term of a majority of directors, new directors were appointed in February 2019 vide Gazette Notice No. 1239 issued on 8th February 2019. Respective letters of Appointment as Board Members of Athi Water Works Development Agency were issued on 7th May 2019. The directors appointed were as follows:

NAME	Office Held	Date of appointment	Date of Expiry	Basin Area of Representation
Hon. Eng. John Kiragu Chege	Chairperson	8/02/2019	7/02/2022	Kiambu
Hon. Peter Irungu Kihungi	Member	8/02/2019	7/02/2022	Muranga

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NAME	Office Held	Date of appointment	Date of Expiry	Basin Area of Representation
Benedict Kijuu Omondi	Member	8/02/2019	7/02/2022	Nairobi
Beatrice Njeri Maina	Member	8/02/2019	7/02/2022	Muranga
Sheila Phyllis Mwikali Mutunga	Member	8/02/2019	7/02/2022	Muranga
Godfrey Ninito Lemiso	Member	8/02/2019	7/02/2022	Nairobi
Joseph Keter	Alt. Director to PS Ministry of Water and Sanitation	28/06/18		N/A
Francis Anyona	Alt Director to PS – The National Treasury	17/04/15		N/A

The Board is well composed in terms of range and diversity of skills, knowledge, age and experience in various sectors which makes it effective and provides an appropriate balance for the oversight of AWWDA's mandate. On gender, the Board has two (2) women out of Eight (8) members.

Succession Planning

The Code of Governance for State Corporations (Mwongozo) provides that the appointing authority should ensure that the tenures of Board members are staggered to ensure a phased transition. The AWWDA Board Charter at Clause 2.2.4 also provides for staggered retirement.

Removal of Directors

Section 6(1) of First schedule of the Water Act, 2016 provides for circumstances under which the office of a member shall become vacant as follows:

- a) Such member dies, resigns or is removed from office
- b) Such member absents himself or herself from four consecutive meetings of the Board or committee which reasonable notice has been given to the member unless-
 - i) The board or committee has granted the member leave to be absent from those meetings or
 - ii) Within four weeks after the last of the four meetings, the member is excused by the board or committee for having been absent from the meetings.
- c) The member becomes bankrupt, applies to take the benefit of any law for the relief of bankrupt or insolvent debtors, compounds with his or her creditors or makes an assignment of his or her remuneration or for their benefit
- d) Such member is adjudged or declared by any competent court or tribunal to be of unsound mind or
- e) Such member is convicted of an offence punishable by imprisonment for twelve months or more

If the office of a member becomes vacant, the appointing authority is mandated to fill the vacancy as prescribed in the Act. This process is also captured in the Board Charter at section 2.2.

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Role of the Corporation Secretary

The Principle duties of the Corporation Secretary are as follows:

- a) Providing guidance to the Board and Board Members individually on their duties, responsibilities and powers and how these should be exercised in the best interest of AWWDA
- b) Ensuring that board procedures are followed and reviewed regularly and that the Board complies with the Laws and Regulations
- c) Assisting the Chairperson in organising Board activities including providing information, preparing the agenda, issuing notices and preparing for meetings, board evaluations and board development programs
- d) Providing secretarial services to the Board including ensuring that the Board Work Plan is prepared and adhered to.
- e) Ensuring the minutes of the Board and Board Committees are promptly prepared and circulated
- f) Keeping the Board abreast of and informed on current governance thinking and practice
- g) Coordinating the governance audit process.

Board Induction and Trainings

The Board has developed an induction program for new Board Members. A competence needs assessment was also carried out on the directors.

Consequently, during the Financial Year 2018/19, the Board Members undertook several board and committee induction and training programs. The trainings covered; Transformative Leadership, Leadership and Communication and Institutional Aspects of Public Policy Formulation. The new Board Members also attended the Ministry of Water and Sanitation induction of new Board Members in the Water Sector. AWWDA undertook board induction and orientation programs for the Board and the committee members which recorded 100% attendance by the newly appointed board members. The new board members also attended the Mwongozo training of board members of State Corporation facilitated by SCAC.

Board Remuneration

Board Remuneration is determined by the Government of Kenya through relevant circulars and Regulations. Remuneration for the Board in the Financial Year 2018/19 was guided by GOK Circular OP/CAB.9/21/2A/LII/43 dated 23rd November, 2004; the Guidelines on Terms and Condition of Service for State Corporations, Chief Executive Officers, Chairmen and Board Members, Management Staff and Unionisable Staff.

Accommodation and travel allowances on local travel and International Travel and lunch allowance was governed by Circular No. OP/SCAC.9/21.2 Vol.1 (164) dated 28th April 2015.

Where applicable, the daily subsistence allowance was paid in accordance with Circular No. SRC/ ADM/CIR/1/13 Vol. IV (1). Other payments made were: Monthly honoraria for the chairman, telephone allowance for the chairman, transport reimbursements, Accident Insurance Cover, Medical Cover as stipulated in the Government Circulars and Respective Appointment letters. The directors were remunerated in accordance with the aforementioned Circulars and other applicable regulations.

Board attendances

In line with Mwongozo, the AWWDA Board Charter at Clause 4.1 provides that the Board shall meet as often as necessary as but not less than four times a year. The meetings of the Board were scheduled in advance.

During the financial year, the Board held 8 Board Meetings and the respective attendance by the Director was as follows:

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Nature of meeting and date	Richard Karanja Kimani	Anne Munga	Francis Anyona	Ben Omondi Kijuu	Bancy Wambura Njuguna	Francis Kariuki Muheria	Billy Arocho Otunga	Joseph Keter	Margaret Mumbi Mwago	Martin Wachira Keen
12.07.18 50 TH SPECIAL BOD	X	X	-	X	X	X	X	-	X	X
20.07.18 71 st BOD	X	X	X	X	X	X	X	X	X	-
30.08.18 72 nd BOD	X	X	X	-	-	-	X	X	X	X
14.09.18 51 st Special BOD	X	-	-	X	X	X	X	-	X	X
4.10.18 52 nd Special BOD	X	X	X	X	X	X	X	X	X	X
5.10.18 53 rd Special BOD	-	X	X	X	X	X	-	X	-	-
8.10.18 54 th Special BOD	X	X	-	X	X	X	X	X	X	X

Nature of meeting and date	Francis Anyona	Ben Omondi Kijuu	Godfrey Lemiso	Sheila Mutunga	Beatrice Njeri Maina	Joseph Keter	Hon. Peter Irungu Kihungi	Hon. Eng. John Kiragu
4.06.19 1 st Regular Board of Directors Meeting	-	X	X	X	X	X	X	X

Key

x- Present

- Absent

Board Performance Evaluation

In accordance with Mwongozo, the Board Charter provides at Clause 3.3.6.1 that the Board will conduct annual evaluation to appraise its performance. Clause 3.3.6.3 also provides that at least once a year, the Board shall discuss its own activities and those of its individual members, the effectiveness of such activities and the composition and competence of the Boards and its committees.

In the Financial Year 2018/19, a board evaluation was carried out by the State Corporation Advisory Committee on 4th October 2018. For the directors appointed on 8th February 2019, the Board Evaluation will be conducted on 24th June 2020.

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Conflict of Interest

AWWDA has a Conflict of Interest Policy whose purpose is to provide guidance in identifying and handling potential and actual conflicts of interest involving the Board of Directors and AWWDA as a whole. AWWDA is committed to the highest levels of integrity. All the Directors have taken an oath of office which was duly administered by a Commissioner for Oaths.

A conflict of Interest Register is maintained by AWWDA. Declaration of conflict of interest is a mandatory agenda item in all AWWDA meetings.

Ethics and Conduct

The directors and employees of the Board have a fiduciary duty to act honestly and in the best interest of AWWDA. Business transactions with all parties must be carried out at arm's length and with integrity. AWWDA has developed a Code of conduct and Ethics which sets out the minimum requirements expected of the Board Members as they carry out their functions either individually or collectively. Nevertheless, the Code applies to all members of AWWDA and the Board of Directors. All the Directors and staff have subscribed to the Code of Conduct and Ethics. The code is reviewed and updated from time to time.

In addition to the Code of Conduct and Ethics, directors are governed by the applicable Laws and Regulations. The Board has further developed a whistle-blower policy with the aim of maintaining the highest standards of Ethical and legal conduct in all its activities, programs and transactions. Through the policy, the Board encourages, management, staff and other stakeholders to report suspected/ actual occurrence of unethical, inappropriate or illegal practices without reprisal. The policy assures protection to whistle blowers.

Governance Audit

A governance Audit is undertaken by an organisation to ensure that the organisation conforms to the highest degree of good governance. It is a requirement of Mwongozo that a Governance audit is conducted annually. In the year 2018/19 a governance audit was not conducted.

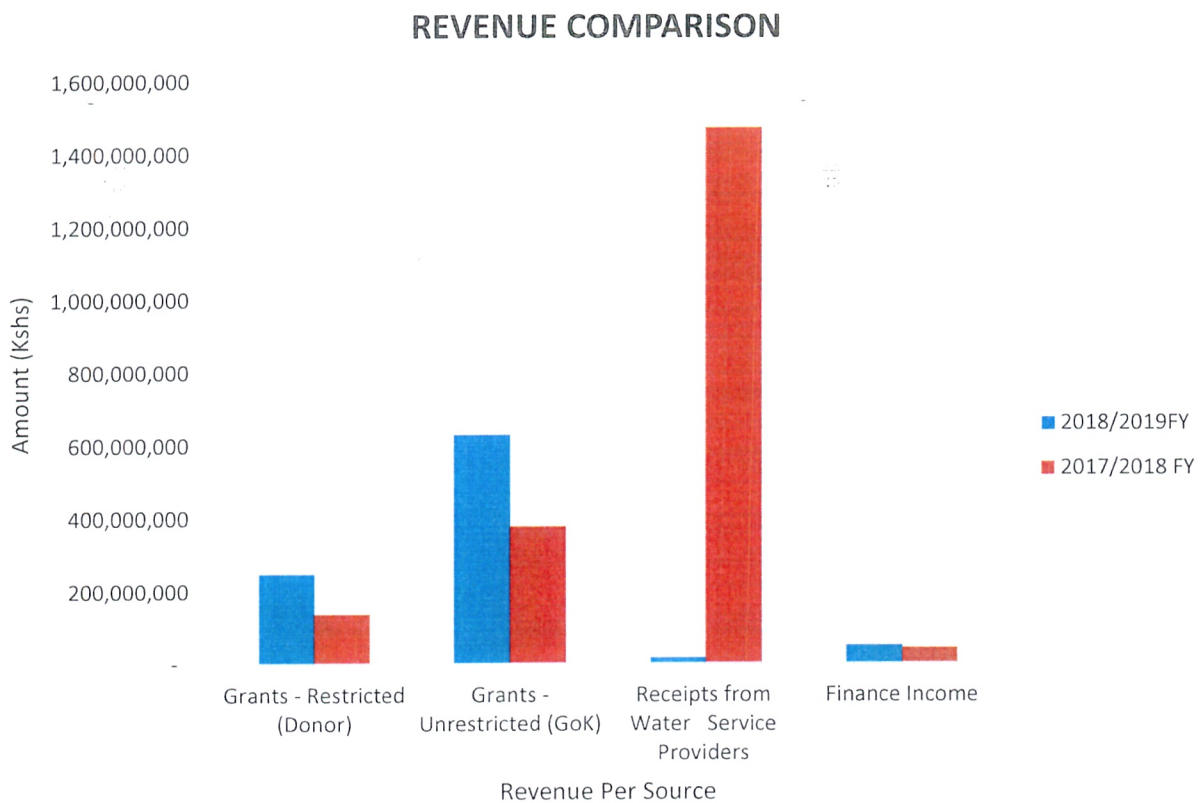
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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the 2018/19FY, AWWDA received an allocation of Kshs 631,378,964 from the ministry of water and Sanitation broken down into Kshs 437,470,000 for salaries and administration purposes and Kshs 170,221,157 project costs which are recurrent in nature. The entity also earned Kshs 69,238,650 being interest on deposit, miscellaneous income and some remittances from WSPs. Development partner grants earned in the year amounted to Kshs 250,977,749 being allocations from deferred income and direct project costs. The total income for the year was Kshs 927,907,556 against an expenditure of 762,394,590 before depreciation, interest and provisions. AWWDA transferred a total deficit of Kshs 446,168,000 after incorporating depreciation, interest due and provisions

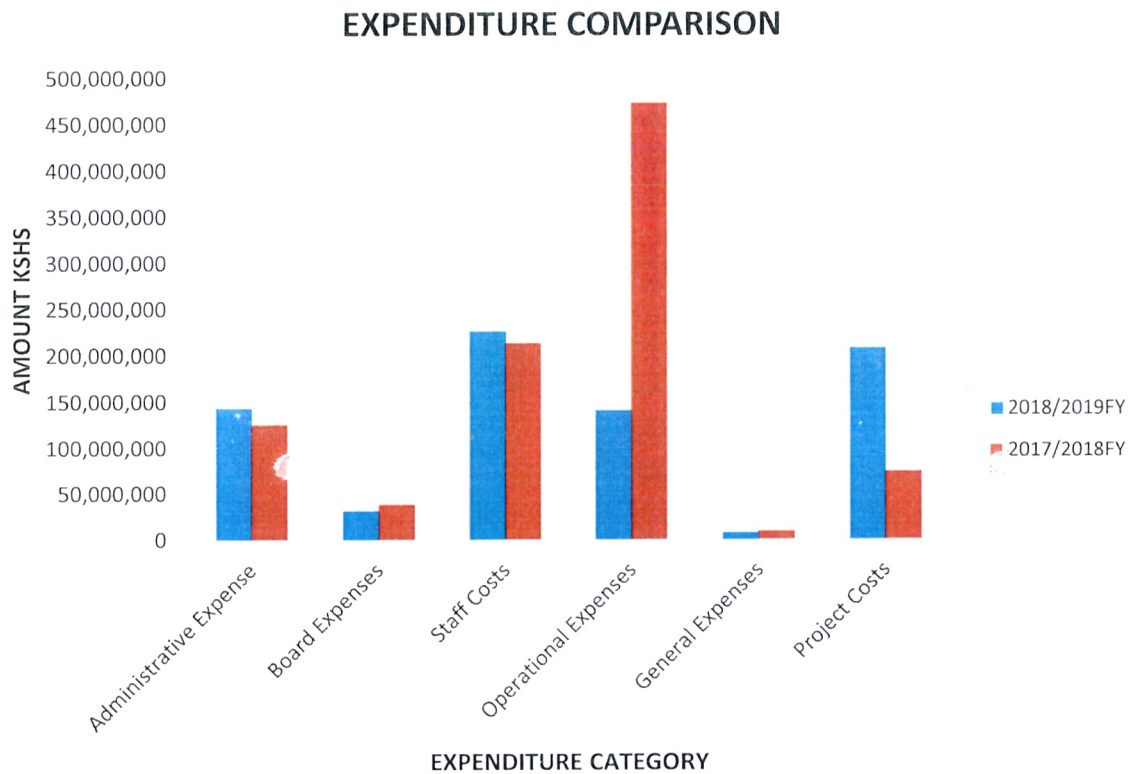
Revenue comparison



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Expenditure comparison

The chart below gives a breakdown of the expenditure comparison for the years 2017/18 and 2018/19:



Asset development

AWWDA developed assets worth Kshs 8,484,022,760 in the 2018/19FY most of which are in work in progress while assets worth Kshs 1,643,201,569 were completed and operationalized in the year.

Major Risks

AWWDA is faced with liquidity risks due to delayed counterpart financing from the GoK. This has impacted negatively on the project progress, it has led to increase in pending bills, mistrust by contractors and consultants due to our inability to pay within the set thirty day's credit period and if this continues it may lead to stoppage of works in the future.

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Projects implemented or were ongoing in the year

Developing innovative and sustainable water services solutions that transform life and inspire progress underpins our corporate mission. In the period under review, and as part of implementation of our strategic plan, AWWDA continued to implement the following projects, during the 2018/19FY:

No.	Project Name	Project status	Projected Timelines		Estimated Cost of Projects	Expected Output
			Start Date	End Date		
1	Nairobi Water Distribution Network	The works were at 86.50 % by the end of the FY	26th June 2014	30th November 2019	4,543,000,000	Provide additional 100,000m ³ /day water to residents living in Utawala, Embakasi, and Ruai areas. Provide additional 5,000m ³ /d to residents in Karen and improvement of access to water and sanitation in selected informal settlements
2	Nairobi Satellite Towns Water and Sanitation Program	Works were yet to start by the end of the FY but all the works contracts were signed	28th September 2015	30th June 2021	3,388,000,000	Improved access to water supply through construction of transmission and distribution network and distributing 14,000m ³ /d water in Kiserian, Ongata Rongai, Githurai and Mwhoko
3	Extension Of Nairobi Water Supply (Northern Collector)	84 % of the works have been done	17 th January 2014	31 st December 2019	10,000,000,000	Treatment and transmission of additional 140,000m ³ /day to Kabete Nairobi
4	Ithanga Water supply	The works were at 80.3% by the end of the FY	15th April 2016	15th October 2019	1,200,000,000	Deliver additional 9,000m ³ /day (from existing 1,200m ³ /d pumped system) to areas of Kakuku, Ithanga
5	Water & Sanitation Services & Improvement Project (Athi WSB)	90 % of the program works have been done	19 th December 2012	15 th December 2019	16,000,000,000	Additional 140,000 m ³ /day for Nairobi; 14,000 m ³ /day for Muranga, 14,000m ³ /day for Kiambu, 14,000 m ³ /day for Meru, Machakos, Makeni, Kitui and Kajiado counties

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No.	Project Name	Project status	Projected Timelines		Estimated Cost of Projects	Expected Output
			Start Date	End Date		
6	Rehabilitation Of Water Supply And Sewerage For Oloitokitok Town	The progress of works was at 50 % by the end of 2018/19FY	8th April 2017	31 st December 2019	888,000,000	Construction of water distribution network to improve access to 40,000 residents and sewer network and treatment plant of capacity 6,000m ³ /d to improve on sanitation
7	Kajiado Rural Water Supply	works are 75% complete	19th April 2016	31 st December 2019	1,320,000,000	Additional 9,000m ³ /day water supply to the residents within the project area
8	Kiserian Sewerage Project	The works were at 30% by the end of the 2018/19FY, the contract is undergoing termination processes	10th January 2016	30th December 2018	709,000,000	Improved access to sewerage services in Kiserian town and environs by constructing trunk and reticulation sewers and sewer treatment plant of capacity 6,000m ³ /d
9	Kenya Towns Sustainable water supply and Sanitation Program	Most of the works were contracted in the year and the contractors mobilized. The progress of works was at 5% by the end of the year.	9th February 2017	31 st December 2021	8,800,000,000	Improvement in water supply and sanitation in Limuru, Kikuyu, Gatundu, Kiambu, Ruaka, Pemba, Changamwe, Machakos and mwala by constructing intakes, water transmission and distribution lines, trunk and reticulation sewers and waste water treatment plants
10	Nairobi Metro Area Bulk water Sources-Ruiru II Dam	The progress of works was at 10% by the end of the year.	2nd Sept 2017	3rd March 2020	24,000,000,000	Additional 51,000m ³ /day Water produced for Karuri, Kiambu and Githunguri

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No.	Project Name	Project status	Projected Timelines		Estimated Cost of Projects	Expected Output
			Start Date	End Date		
11	Nairobi Metro Area Bulk water Sources-Karimenu II	The progress of works was 10% by the close of the year	3rd May 2017	4th November 2020	21,000,000,000	Additional 70,000m ³ /d for supply in Ruiru, Juja and Nairobi
12	Nairobi Rivers Basin Restoration Programme: Sewerage improvement	The works were 100 % by the end of the year	September 2012	December 2017	4,239,000,000	Nairobi city sewer rehabilitation, drilling and equipping of boreholes in Nairobi and purchase and delivery of sewer flushing units
TOTAL					96,087,000,000	

Compliance with statutory requirements

The regulatory environment remains an area of significance to our operations. AWWDA continued to ensure compliance with Constitution of Kenya 2010 (CoK 2010), the PFM Act, the State Corporations Act, the Water Act 2016 and all the relevant government circulars as issued from time to time. All the statutory deductions and other requirements were submitted to the relevant authorities in time.

Key challenges

AWWDA continued the implementation of its running projects amidst of several challenges including:

1. In adequate budgetary allocations and budget cuts without further reference to ourselves which resulted to low disbursement in the year
2. Cash flow challenges owing to delayed remittances from the Ministry of Water and Sanitation
3. Delayed master list clearances by the National Treasury
4. Delayed specific tax exemptions by KRA
5. Numerous court injunctions relating to land and wayleave acquisitions
6. Non-remittance by WSPs of the amounts owed by them

SUSTAINABILITY REPORTING

Introduction

Sustainable development is all about ensuring a better quality of life for everyone, now and for generations to come. This can be achieved through the three strands of social equity which recognizes the needs of everyone, maintenance of stable levels of economic growth and employment, and using natural resources prudently, whilst protecting, and if possible enhancing, the environment. Sustainable or ecological development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with the future as well as present needs".

Sustainability requires continuous technological, economical the social progress of continuous improvement that respects the limits of the Earth's ecosystems, and meets the needs and aspirations of everyone for a better quality of life, now and for future generations to come. Athi Water Works Development Agency commits to meeting our stakeholder's present and future requirements through a collaborative culture which provides the capability to provide services and knowledge allowing systematic change to take place whilst reinforcing mutually desired social, economic and environmental outcomes. AWWDA recognizes the importance of conducting operations in a manner that meets existing needs without compromising the ability of the future generation to meet their needs; therefore it carries out its operations in a manner that ensures the economic life of the community in which it operates. It is AWWDA's policy to ensure that all the activities undertaken meet and exceed the social, economic and environmental expectations of stakeholders. AWWDA believes that ethical leadership and corporate citizenship should direct the strategy and operations to build sustainable business.

AWWDA executes the objectives through the following:-

- (a) Our people, values and processes;
- (b) Stakeholder engagement;
- (c) Protecting the environment

(a) Our People, Values and Processes

The staff of AWWDA are the primary asset. The Board therefore recruits, retains and invests in the best talent in the market. Our success has been and will continue to be highly dependent on the performance and accountability of our Great Athi Team (GAT).

Diversity and Equal Opportunity

AWWDA endeavours to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons. This has created an inclusive environment where individuals and teams harness strengths in diversity to maximize potential and excel in performance.

Our Culture and Values

Our vision of "Access to clean, sustainable water services for all" describes who we are, what we stand for and what makes our culture distinctive. The staff and directors are committed in upholding our core values in the discharge of our mandate. AWWDA's leadership has created an enabling environment where board of directors and staff are accountable for their actions based corporate culture of living our values. The Great Athi Team (GAT) is an open and transparent community and the leadership has maintained an open and collaborative engagement.

Employee Welfare

At AWWDA, the staff and directors view each other as part of one big family and each member's welfare is our collective responsibility. AWWDA takes every effort to ensure that employees' well-being (physical, emotional and financial) is considered as this affects them both at home and at work. During the year AWWDA undertook a team building exercise and also paid club membership fees for senior management team. We continued to implement cross cutting issues during the year with a particular focus on: HIV/AIDs, Persons with Disability and Gender

Health Care

AWWDA continued to finance staff with medical care through a comprehensive medical cover for all staff and their nuclear family. This was done through a competitively sourced medical cover. Quarterly health talks and health tests were also undertaken in the year. The Agency also continued to deduct, and submit National Hospital Insurance Fund dues for staff during the year and therefore they utilized the services entitled therein.

Labour Relations

AWWDA continued to encourage open communications with an aim of fostering a positive work environment; all employees were encouraged to participate actively in the free flow of questions, answers and ideas. There are meetings held every Monday for all staff, as well as quarterly meetings for all staff, Appraisal and Counselling interviews and Attitude surveys.

Staff Training and Development

To ensure that AWWDA not only attracts but also retains the best talent, the Board aims to nurture people's careers by making relevant opportunities accessible and helping them to develop skills, knowledge and experience in different functions or specialization. Through the appraisal system staff training and development needs were identified and the same formed part of the staff training needs assessment report which was implemented within the year.

In its Annual Budget, AWWDA allocated a budget towards education, training and professional development. Individual staff budget allocation was equitably done based on their training needs and job level. AWWDA also supports membership to professional bodies through payment of annual subscriptions and financing of CPD trainings to ensure staff are in good standing with their respective professional bodies. Additionally, AWWDA continued implementing on-the-job training through workplace projects and job enrichment. Finally AWWDA supports staff furthering their academic growth through allowing flexy working time and giving them study leave.

Employee Engagement

The staff are committed to the realization of the AWWDA's mandate. Focus is on delivering an employee experience where staff feel strongly connected to the realization of Board's mandates and are able to do what they do best each day.

Occupational Health and Safety

Good health and safety standards are ideal and remain an individual and corporate responsibility for the staff and the Board. The Board is committed to proactively managing all health and safety risks associated with its mandates.

During the year, the Board organized several workshops to sensitize staff and evaluated the work environment to ensure it meets the set standards. An annual health and safety audit was conducted at the Board's premises. The audit was carried out with the view of evaluating compliance of the work place and the associated operations with the provisions of the Occupational Safety and Health Act, 2007.

Specifically, the following areas were assessed:-

- Information security management
- Work place information;
- Management of Occupational Safety and Health policies;
- Work place safety, Health and Welfare conditions including safety, occupational hygiene conditions as well as general conditions; and
- Emergency response plan.

Zero Tolerance to Corruption

AWWDA has a zero tolerance policy towards corruption. During the year AWWDA carried out corruption perception risk assessment and mitigation measures. In order to enhance integrity in public procurement, AWWDA posted all advertisements and awards to the agencies website and advertised open tenders in the papers for everybody to participate and invited all interested parties to come and witness the opening.

To promote high standards of ethical culture, AWWDA continued conducting Monday morning assemblies to recite the Corporate Anthem, carry out a sensitization to all staff on national values and corporate governance and to inform staff of interdepartmental activities. The Board of Directors were inducted in the year, trained on Mwongozo, and each signed Code of Conduct.

Ethics and Integrity

The Board has in place Code of Conduct and Ethics and Corruption Prevention Policies. This policy requires employees and members of the Board to conduct business with integrity, in accordance with the Public Officers Ethics Act and ensure the enforcement of corruption prevention plans. Accordingly, corruption prevention, training, risk assessments and surveys form part of the Performance Contract between the Government of the Republic of Kenya (through Ministry of Water & Irrigation, state department for Water) and the Board of Directors.

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The Board is cognizant of the financial crime risks that arise from internal and external sources. AWWDA conducts business in compliance with high ethical standards of business practice. To this end, AWWDA conducted various training courses on anticorruption and financial fraud practices. The entity also has in place various systems and procedures which are implemented and monitored on regular basis. The internal audit reports have not identified any non-compliance with the ethics policies.

(b) Stakeholder Engagement

AWWDA is cognizant that there are various people who may be affected by the decisions it makes or can influence the implementation of its decisions and therefore we continued engaging different stakeholders in order to understand their concerns and to respond to them appropriately. These engagements have assisted by providing feedback on the policies, procedures and ways of working. Stakeholder engagement is done through the following:-

- Development of Promos on the AWWDA projects and having them aired.
- Publishing of opinion pieces and articles in various newspapers.
- Organizing press conference to inform the public on the progress on the AWWDA projects.
- Carrying out social media campaigns on the AWWDA projects and activities and engaging social media users to address their queries
- Development of documentaries on AWWDA activities and having them featured in key Government portals such as the website #GoKdelivers.
- Development of Frequently Asked Questions (FAQs) fliers to provide deeper insight and address frequently asked question. These fliers are distributed during various stakeholder forums and made available via social media. This explains the frequently asked questions

Reporting

AWWDA is committed to transparency in reporting of its activities to its stakeholders. This is done regularly through the print and electronic media, published annual reports and financial statements.

Customer Focus

AWWDA is committed to meeting stakeholder requirements to their satisfaction by ensuring effective and efficient use of resources. It encourages continual improvement of its services and processes. The performance and interaction with its stakeholders is also guided by the Constitution of Kenya - Bill of Rights.

To demonstrate that AWWDA is living on this promise, a service charter was rolled out, and cascaded to all departments and staff and they are displayed at various strategic places in the organization. The compliance to the service charter is monitored on a regular basis, and plans are made on how to reduce or eliminate the non-compliances.

Grievance Mechanisms and Procedures

The Board has put in place a grievance handling mechanism for both the directors and employees. The employees' issues are dealt with by the Finance Human Resources and General purpose Committee of the Board. The Board has set up a complaints handling mechanism which is handled by the management. The Board submits quarterly reports on complaints to the Commissioner of Administrative Justice who evaluates the extent to which the Board has complied with the procedures and issues a certificate. During FY 2016/17, the Board achieved 99% compared to an achievement of 98% previous year in the performance contract evaluation on resolution of public complaints.

(c) Protecting our environment

Environmental and social sustainability

Introduction

Background

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and practices that contribute to the quality of environment on a long term basis as well acceptable social norms over the long term.

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It involves making decisions and taking action that are in the interests of protecting the natural and social environment, with particular emphasis on preserving the capability of the environment to support human life; and social wellbeing of communities.

Athi Water Works Development Agency (AWWDA) as a state corporation with key functions of Planning, development, rehabilitation and expansion of water and sanitation services infrastructure is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment. As such, AWWDA is committed to environmental conservation and protection as well as safeguarding of health and safety of workers within the premises and projects. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within the Institution's area of jurisdiction.

Pollution prevention, regulatory compliance, stakeholder engagement, public consultation and continual improvement are the key elements which underpins AWWDA environmental sustainability.

The objective of the AWWDA's environmental sustainability is therefore to promote sustainable development within our area of jurisdiction by ensuring environmental protection, social equity, and economic development.

Approach

AWWDA environmental sustainability is guided by the Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya; and the Constitution of Kenya, 2010. Other legislation related to natural resources such as Water Act, forest Act, Land planning Act, National land policy etc. as well as the Occupational Health and Safety Act, 2010 are also used as guidelines.

AWWDA also complies with the other environmental requirements of International Development Funding agencies such as World Bank, Africa Development Bank, French Development Bank among others.

Table 1: Environmental and Social Safeguards IDF	Environment Safeguards Instruments	Description of safeguards
African Development Bank	Operational Safeguards (OS)	OS 1: Environmental and Social Assessment. OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation. OS 3: Biodiversity and Ecosystem Services. OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency. OS 5: Labour Conditions, Health and Safety.
World Bank	Environmental and Social operational policies (OP)	OP4.01: Environmental Assessment OP4.36: Forestry OP 4.04: Natural Habitats OP4.12: Involuntary Resettlement OP 4.11: Physical Cultural Resources OP 4.10: Indigenous Peoples Policy OP 4.09: Pests Control Management
KfW	Sustainability Guidelines	

Environmental sustainability activities

Environmental sustainability planning

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

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

AWSB subjects all the new water and sanitation infrastructure projects to environmental and social impact assessment process in line with the Environmental Management and Coordination Act, (EMCA), 1999. In order to identify both potential positive and negative impacts. This process allows for provision of enhancement, mitigation, restoration and compensation measures to ensure that the projects are environmentally and socially sustainable. The reports are submitted to NEMA for review and licensing and also to funding agencies (where applicable) for approval based on international standards.

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

- i. Proposed construction of Handege Water Supply Scheme
- ii. Proposed construction of Matuu water supply project
- iii. Proposed construction of Kitui water and sewerage project
- iv. Proposed construction of Mwala cluster water and sanitation supply
- v. Proposed construction of Machakos water supply project.
- vi. Proposed construction of water distribution project

Others reports submitted are awaiting approval and licensing.

AWWDA has in place an operational Environmental and social safeguards unit within the planning and engineering department responsible for Environmental compliance and management.

Pollution prevention and abatement

AWWDA Complies with various legislation related to prevention and abatement of pollution such as EMCA (waste management) regulations, EMCA (water quality) regulations) EMCA (noise reduction) regulations, Water Act (water rules). Programmes are in place to ensure that all operations are in compliance with these regulations. For instance water abstraction permitting, effluent discharge planning and licensing, and workplace certification among others.

The boreholes drilled within this reporting period were authorized and permitted by WRMA.

- All sewerage treatment plants are designed to improve quality of final discharge into the receiving surface waters. These facilities are issued with effluent discharge permits based on effluent discharge and control plan.
- All ongoing construction projects are supervised and monitored to ensure proper implementation of project specific environmental management plans and environmental conservation.
- All motor vehicles are being regularly serviced as per manufacturer's recommendations.

Climate change mitigation and adaptation

AWWDA implements some projects with measures to adapt and/or mitigate against effects of climate change. For instance rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency so as to reduce the amount of GHG emission. The organization is also exploring the possibility of trapping methane generated from the sewerage treatment plants for energy use.

AWWDA is drilling and equipping boreholes to provide alternative water sources in ASALs to help communities in those areas adapt to water scarcity which is associated with climate change.

AWWDA is also implementing large and medium dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change.

Community projects focusing on rain water harvesting and development of water pans also provide additional water storage to help communities and schools deal with water scarcity.

The Agency also undertakes tree planting within the area of jurisdiction as a climate change adaption measure to act as carbon sinks.

Promoting Environmental protection and conservation through partnerships with stakeholders

AWWDA continually work together with partners such as County governments, community members, WRA, NEMA, Water Resource Users Associations, local administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects.

AWWDA in collaboration with Theta Water Resource User Association planted a total number of 2,245 seedlings. The seedlings were planted in 24 different sites within 150km² Theta River sub-catchment area Kiambu County.

Environmental education and awareness

AWWDA through its corporate communication section develop and disseminate information on water conservation and rain water harvesting through fliers, brochures, print media, radio and TV.

Social sustainability activities

Socio-economic impact assessment

Social Impact Assessment (SIA) is now conceived as being the process of identifying and managing the social issues of project development, and includes the effective engagement of affected communities in participatory processes of identification, assessment and management of social impacts. SIA also contributes to the ongoing management of social issues throughout the whole project development cycle, from conception to post-closure.

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

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

Where people's assets and properties are affected, the AWWDA ensures that there is prior and informed consent from the project affected persons; that there is prompt and adequate compensation for any loss; and where people are resettled to enable a project to proceed, the Agency ensures that their post-resettlement livelihoods are restored and enhanced.

Other Social sustainability activities include:

- i. Stakeholder engagement and public participation
- ii. Livelihood restoration
- iii. Community benefits/ projects

Environment and social sustainability management systems

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

Environmental and social Management Plans

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

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

Health and safety management plans

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

Grievance Redress Mechanism.

AWWDA recognizes the need for a Grievance Redress mechanism (GRM) throughout the project implementation period to identify disputes in good time and allow for them to be resolved in a transparent and accountable manner. Compensation based disputes are issues likely to occur during and after project implementation period, hence the need for GRM system. The need for a GRM is obligated by the Land Act 2012 which recognizes the right of the affected persons to refer their disputes to the Land and Environment Court, while the Land Policy advocates for negotiation, mediation and arbitration to reduce the number of cases that end up in the court system and delayed justice. Similarly, project financing institutions guidelines and policies also call for appropriate and accessible grievance handling mechanisms for project affected persons.

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Conclusion

AWWDA is committed to Environmental Conservation and safeguard of the Health and Safety of employees as well as communities affected by the organizations operations. The organization continuously works towards compliance with the Environmental Management Act 1999 (Amendments 2015), Occupational Health and Safety Act 2007 as well as achieving the environmental sustainability targets.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Athi Water Works Development Agency's affairs.

Principal activities

The principal activities of AWWDA as per the Water Act of 2016 are;

- Undertaking the development, maintenance and management of National Public Waterworks;
- Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of waterworks are handed over to a county government, joint committee, authority of county government or water services provider,
- Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee,
- Provide technical services and capacity building to such county government and water providers,
- Provide to the cabinet secretary technical support in discharge of his or her functions under the constitution the Water Act 2016.

Results

The results of the entity for the year ended June 30, 2019 are set out on pages 1-41.

Directors

During the year 2018/2019 the Eight independent directors retired following the expiry of their terms. Gazettement of new board of directors by the Cabinet Secretary Ministry of Water & Sanitation and Irrigation was done in February 2019. The Alternate directors representing the Principal Secretary, The National Treasury and Principal Secretary Ministry of Water & Sanitation and Irrigation continued to serve in the Board. The New Independent Directors appointed in line with the Water Act 2016 were appointed in May 2019 to serve for a period of three years. The members of the Board of Directors who served during the year are shown on page vi-xi.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The entity did not make any surplus during the 2018/19FY and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of AWWDA in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board.



CS. Joyce N. Mukururi

Date: 29/09/2019

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of Athi Water Works Development Agency (AWWDA), which give a true and fair view of the state of affairs of AWWDA at the end of the financial year and the operating results of AWWDA for that year. The Directors are also required to ensure that AWWDA keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

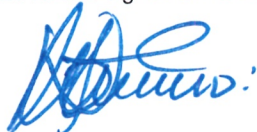
The Directors are responsible for the preparation and presentation of the AWWDA's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements 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 entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the AWWDA; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the AWWDA's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Water Act 2016. The Directors are of the opinion that the AWWDA's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2019, and of AWWDA's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for AWWDA, which have been relied upon in the preparation of the AWWDA's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Athi Water Works Development Agency will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Athi Water Works Development Agency's financial statements were approved by the Board on 29th - September 2019 and signed on its behalf by:



Godfrey Ninito Lemiso
Director



Beatrice Njeri Maina
Director



Hon. Eng. John Kiragu Chege
Chairman

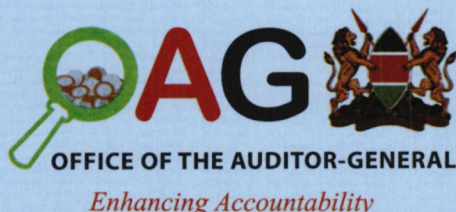
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REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ATHI WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Athi Water Works Development Agency set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2019, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the 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 Athi Water Works Development Agency as at 30 June, 2019, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property, Plant and Equipment

1.1 Fully Depreciated Assets

As disclosed in Note 16 to the financial statements, the statement of financial position reflects a balance of Kshs.38,880,368,292 under property, plant and equipment. Excluded from the balance are fully depreciated assets with an original cost of Kshs.213,150,059. These assets are still in good working condition and were in use during the year under review. However, contrary to the requirements of IPSAS 17, Management had not revalued the assets and recognized them in the Agency's books at the revaluated amounts.

2.2 Failure to Recognize Inherited Assets

As previously reported, the Agency inherited infrastructure assets of an undetermined value previously held by the Ministry of Water and Irrigation and the defunct National Water Conservation and Pipeline Corporation as was provided for under Legal Notice 101 of August, 2005 and the Water Act, 2016. However, these assets have not been incorporated in the assets register of the Agency for the year under review.

Under the circumstances, the accuracy, valuation and completeness of the Agency's property, plant and equipment balance amounting to Kshs.38,880,368,292 as at 30 June, 2019 could not be confirmed.

2. Un-Serviced Loan

The statement of financial position reflects loans totaling Kshs.35,458,010,300 which, as disclosed in Note 27 to the financial statements, includes a French Government Agency (AFD) loan with a book balance of Kshs.3,097,428,323 (original amount: Kshs.3,850,000,000) on-lent to the Agency by The National Treasury in two disbursements of Kshs.1,870,000,000 and Kshs.1,980,000,000 in 2006 and 2009, respectively. The loan was repayable in fifteen (15) years from the contract date at an interest rate of 2.9%, among other terms. According to the subsidiary agreement between the Agency and The National Treasury, the Agency was to make semi-annual payments of both the principal and interest, as the amounts fell due. However, during the year under review, the Agency only paid Kshs.6,440,000 out of the sum (including arrears) of Kshs.87,475,395 due in relation to the 2018/2019 financial year.

In addition, the loan portion due in 2018/2019 and any outstanding repayment arrears have not been included as a current liability under the trade and other payables balance of Kshs.1,327,839,153 reflected in the statement of financial position as at 30 June, 2019.

Consequently, the Agency has not met its obligations in respect to the loan.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Athi Water Works Development Agency 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions totalling Kshs.4,487,464,837 as at 30 June, 2019. As disclosed in Note 19 to the financial statements, the receivables balance includes an amount of Kshs.4,112,329,326 owed by the Nairobi County Water and Sewerage Company and a sum of Kshs.375,135,511 owed by various other Water Service Providers that have been outstanding for more than ninety (90) days and are therefore, overdue for payment.

Further, the statement of financial position reflects receivables from non-exchange transactions amounting to Kshs.8,839,283,025 which includes an amount of Kshs.7,092,497 due from the High Court of Kenya, which arose in 2014/2015 financial year.

Under the circumstances, recoverability of the long outstanding debts totalling Kshs.4,494,557,334 remains doubtful.

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Cash and Bank Balances

The Statement of financial position reflects a cash and bank balance of Kshs.2,494,946,550 which, as disclosed in Note 18 to the financial statements, includes an amount of Kshs.1,418,740,770 in Account No.01136084618500 held at the Co-operative Bank of Kenya. The account is mainly used for meeting recurrent expenses. Management did not maintain a separate bank account for the Agency's development activities. As a result, funds received by the Agency from the Government for capital projects and other project expenditures were transacted through the account. During the year under review, the following project expenditures totalling Kshs.1,664,600,000 were transacted through the account:

Capital Project	Transfers from the Ministry (Kshs.)
Nairobi Water Distribution Network	80,000,000
Nairobi Satellite Towns Water and Sanitation	80,000,000
Northern Collector (Extension of Nairobi Water Supply)	270,000,000
Ithanga Water Supply	20,000,000
Rehabilitation. Water Supply and Sewerage-Olotokitok Town	70,000,000
Kajiado Rural Water Supply	32,000,000
Kiserian Sewerage Project	100,000,000
Kenya Towns Sustainable Water Supply and Sanitation	30,000,000
Nairobi Metro Area Bulk Water Sources Ruiru II Dam	15,000,000
Nairobi City Regeneration Programme	895,000,000
Karimenu II Dam	20,000,000
Water for Schools Programme	52,600,000
Total	1,664,600,000

Further, no separate cashbooks and bank reconciliation statements were maintained for the recurrent activities and the various capital project funds.

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on 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.

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 (Accrual 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 assessment of the effectiveness of the internal control, risk management and governance.

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

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

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

Those charged with governance are responsible for overseeing the Agency'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 which 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 on whether, in all material respects, 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, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which 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 which 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 Agency'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 which 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 Agency's ability 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 Agency to cease sustaining 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 which achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency 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 which are identified during the audit.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 November, 2021

Athi Water Works Development Agency
Annual Reports and Financial Statements
For the year ended June 30, 2019

ATHI WATER SERVICES BOARD
STATEMENT OF FINANCIAL PERFORMANCE
PERIOD ENDED 30TH JUNE 2019

	Notes	<i>Jun-19</i> KSH	<i>Jun-18</i> KSH
REVENUE			
Revenue from non-exchange transactions			
Grants - Restricted (Donor)	<u>6</u>	250,977,749	138,686,379
Grants - Unrestricted (GoK)	<u>7</u>	607,691,157	379,016,509
Revenue from exchange transactions			
Receipts from Water Service Providers	<u>8</u>	17,303,340	1,472,579,127
Finance Income	<u>9</u>	51,935,311	43,299,805
TOTAL REVENUE		927,907,556	2,033,581,821
EXPENDITURE			
Administrative Expense	<u>10</u>	144,084,801	126,976,639
Remuneration of Directors	<u>11</u>	32,438,161	39,012,772
Employee Cost	<u>12</u>	226,967,548	213,907,071
Operational Expenses	<u>13</u>	141,648,676	238,520,205
General Expenses	<u>14</u>	8,531,470	9,992,687
Project Costs	<u>15</u>	208,723,934	309,448,730
Depreciation & amortization	<u>16 & 17</u>	536,242,169	547,094,155
Finance Cost	<u>27</u>	87,475,395	85,010,102
TOTAL EXPENDITURE		1,386,112,154	1,569,962,360
Other gains/(losses)			
Decrease/(increase) in provisions	<u>24</u>	12,036,598	246,155,770
NET SURPLUS/(DEFICIT)			
TRANSFER TO ACCUMULATED FUND		(446,168,000)	217,463,691

The notes set out on pages 8 to 32 form an integral part of these Financial Statements

Athi Water Works Development Agency
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ATHI WATER WORKS DEVELOPMENT AGENCY
STATEMENT OF FINANCIAL POSITION
PERIOD ENDED 30TH JUNE 2019

	Notes	2018-2019 Kshs	2017-2018 (Restated ¹) Kshs
Assets			
Current assets			
Cash and cash equivalents	<u>18</u>	2,494,946,550	1,217,997,568
Receivables from exchange transactions	<u>19</u>	4,487,464,837	4,491,863,884
Receivables from non-exchange transactions	<u>20</u>	8,839,283,025	7,402,772,343
Inventories	<u>21</u>	4,534,126	3,617,654
Prepayments	<u>22</u>	10,488,008	19,112,321
Subtotal current assets		15,836,716,546	13,135,363,770
Non-current assets			
Property, plant and equipment	<u>16</u>	38,880,368,292	31,093,890,875
Intangible assets	<u>17</u>	174,590,846	13,287,666
Sub-total non-current assets		39,054,959,138	31,107,178,541
Total assets		54,891,675,684	44,242,542,311
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	<u>23</u>	1,327,839,153	1,043,490,578
Provisions	<u>24</u>	237,531,537	249,568,135
Deferred income short term	<u>25</u>	2,004,890	2,492,789
Employee entitlements and payroll creditors	<u>26</u>	4,911,334	5,653,305
Sub-total current liabilities		1,572,286,913	1,301,204,807
Non-current liabilities			
Loans	<u>27</u>	35,458,010,300	28,652,911,526
Deferred income long-term	<u>28</u>	17,179,547,961	13,160,427,469
		52,637,558,261	41,813,338,995
Total liabilities		54,209,845,174	43,114,543,802
Net assets		681,830,510	1,127,998,509
Accumulated surplus	<u>29</u>	681,830,509	1,127,998,509
Total net assets and liabilities		54,891,675,684	44,242,542,311

The Financial Statements set out on pages 1 to 32 were signed on behalf of the Board of Directors by:



Eng. Michael M. Thuita
 Chief Executive Officer



Michael Kihungi Kimotho
 Chief Manager, Finance and Strategy
 ICPAK Member No: 6490

Hon. Eng. John Kiragu Chege
 Chairman

Date: 29/09/2019

Date: 29/09/2019

Date: 29/09/2019

¹ The 2017/18FY balance sheet has been restated to transfer a total of Kshs 222,942,855 and Kshs 284,755,499 originally reported as BADEA loan and Ithanga component I loan respectively to Deferred income BADEA and deferred income Ithanga component I respectively. The affected items are long-term liabilities hence does not result to any change in net assets and liabilities at the end of the year.

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ATHI WATER WORKS DEVELOPMENT AGENCY
STATEMENT OF CHANGES IN NET ASSETS
PERIOD ENDED 30TH JUNE 2019

	ACCUMULATED FUND
	Kshs
Balance brought forward as at 1st July 2017	910,534,818
Surplus for the period	217,463,691
Balance carried down as at 30th June 2018	<u>1,127,998,509</u>
Balance brought Forward as at 1st July 2018	1,127,998,509
Surplus for the period	-446,168,000
Balance carried down as at 30th June 2019	<u>681,830,509</u>

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ATHI WATER WORKS DEVELOPMENT AGENCY			
STATEMENT OF CASHFLOWS			
FOR THE YEAR ENDED 30TH JUNE 2019			
	Notes	2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants recurrent	30	437,470,000	105,000,000
Receipts from WSPs	31	21,702,387	227,226,913
Miscellaneous Finance income	9	51,935,311	43,299,805
Total Receipts		511,107,698	375,526,718
Cash payments for:			
Compensation of employees	32	227,709,519	213,708,635
Administration costs	33	127,408,581	131,878,701
Directors remuneration	34	32,438,161	39,092,772
General expenses	14	8,531,470	9,992,687
Operational costs	35	241,416,740	493,885,640
Other payments-project and GoK counterpart costs			
Total Payments		637,504,471	888,558,437
Net cash flows from operating activities		(126,396,773)	(513,031,719)
Cash payments for investing activities			
Purchase of property, plant, equipment and intangible assets	36	(8,201,128,534)	(4,730,439,978)
Proceeds from sale of property, plant and Equipment			
Decrease/(decrease) in non-exchange receivables	37	(1,436,510,682)	(1,177,611,780)
Increase in investments			
Net cash flows used in investing activities		(9,637,639,216)	(5,908,051,758)
Cash flows from financing activities			
Proceeds from borrowings	38	6,724,063,379	4,518,939,674
Repayment of borrowings	39	(6,440,000)	
Increase in deferred income	40	4,323,361,591	2,733,553,432
Net cash flows used in financing activities		11,040,984,970	7,252,493,106
Net increase/(decrease) in cash and cash equivalents		1,276,948,981	831,409,629
Cash and cash equivalents at 1 JULY	18	1,217,997,568	386,587,939
Cash and cash equivalents at 30 JUNE	18	2,494,946,550	1,217,997,568

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% variance	Remarks
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Receipts from Water Companies for loan repayment							
Loan repayment from other wsps		18,000,000	18,000,000	17,303,340	696,661	4%	Within Budget
Gross administration fee	-	18,000,000	18,000,000	17,303,340	696,661	4%	within budget
Miscellaneous income	10,000,000	(2,500,000)	7,500,000	51,935,311	44,435,311	592%	Due to delays in contract implementation resulting from court cases, Monies for such projects were put in interest earning call and fixed deposit accounts
GRANT INCOME							
Grants - Restricted (Donor)	258,500,000	-	258,500,000	250,977,749	(7,522,251)	-3%	within budget
Grants -Recurrent (GOK)	500,000,000	(49,000,000)	451,000,000	437,470,000	(13,530,000)	-3%	Within Budget
Grant - Unrestricted Development (GoK)	250,000,000	(70,000,000)	180,000,000	170,221,157	(9,778,843)	-5%	within the budget
Subtotal Grant Income	1,008,500,000	(119,000,000)	889,500,000	858,668,906	(30,831,094)	-3%	
TOTAL INCOME	1,018,500,000	(103,500,000)	915,000,000	927,907,556	14,300,877	2%	
Expenses							
A) Administration	0						
Rent and Rates	26,000,000		26,000,000	25,138,469	861,531	3%	Within budget
Advertising	18,000,000	(9,770,000)	8,230,000	11,383,841	-3,153,841	-38%	Works under Kenya Towns project which was just taring off demanded increased tender advertisements
Official Entertainment	1,980,000	(1,850,000)	130,000	131,318	-1,318	-1%	within budget
General office running expenses	2,750,000	(320,000)	2,430,000	2,421,198	8,803	0%	within budget
Printing & Stationary	5,280,000	(2,230,000)	3,050,000	3,049,641	359	0%	Within Budget
Education & training	12,000,000	1,650,000	13,650,000	13,874,702	-224,702	-2%	Within budget

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DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% variance	Remarks
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019		
Library Expenses	600,000		600,000	405,006	194,994	32%	Establishment of offices
Workshop and Seminars	12,600,000	(3,600,000)	9,000,000	16,121,664	-7,121,664	-79%	
Travel and accommodation	22,657,250	(10,657,250)	12,000,000	20,919,757	-8,919,757	-74%	
Telephone Expenses	3,795,000	(395,000)	3,400,000	2,980,410	419,590	12%	within budget
Audit Expenses	880,000		880,000	1,044,000	-164,000	-19%	Within budget
Bank Charges	5,280,000	1,370,000	6,650,000	7,349,487	-699,487	-11%	within budget
I.T Costs	10,554,619	(4,531,516)	6,023,103	6,008,531	14,572	0%	within budget
Transport operating	15,180,000	(1,650,000)	13,530,000	13,486,527	43,473	0%	within budget
Uniform and clothing	2,158,640	(2,158,640)	0	0	0	0%	No staff uniform was purchased because the budget line was eliminated at supplementary level
Repairs& maintenances-Office Equipment, Furniture and Fittings	3,300,000	(2,190,000)	1,110,000	1,102,330	7,670	1%	Within budget
Emergency Works and Hire of plant & Equipment	880,000	(880,000)	0	0	0	0%	All plant hire had to be financed under the various projects because the budget was removed at supplementary level
Professional Consultancy Fees	7,200,000		7,200,000	15,814,692	-8,614,692	-120%	
Monitoring and Evaluation	3,850,000	(990,000)	2,860,000	2,853,230	6,770	0%	Within budget
Sub -total	154,945,509	(38,202,406)	116,743,103	144,084,801	-27,341,698	-23%	
B) Remuneration of Directors							
Honoraria	960,000		960,000	640,000	320,000	33%	There was a period of 3 months when AWWDA did not have a chairman hence no honoraria was paid There was a 3-month period when AWWDA did not have directors
Board Allowances	39,884,000	(2,289,647)	37,594,353	31,798,161	5,796,192	15%	

Annual Reports and Financial Statements
For the year ended June 30, 2019

DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% variance	Remarks
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019		
							hence the under expenditure
Sub total	40,844,000	(2,289,647)	38,554,353	32,438,161	6,116,192	16%	
C) Employee Costs							
Basic pay	158,260,046		158,260,046	135,361,540	22,898,507	14%	Some positions were filled 5 months to the end of the financial year
House allowance	30,100,896		30,100,896	27,880,732	2,220,164	7%	within the budget
Entertainment allowance	1,134,000		1,134,000	950,000	184,000	16%	Some positions were filled 5 months to the end of the financial year
Transport allowance	10,684,800		10,684,800	8,518,143	2,166,657	20%	Some positions were filled 5 months to the end of the financial year
Leave and Passage allowance	1,972,701		1,972,701	1,722,200	250,501	13%	within budget
Gratuity Contributions	31,400,351		31,400,351	24,417,548	6,982,803	22%	within budget
N.S.S.F Employers contribution	2,182,950	-	2,182,950	168,300	2,014,650	92%	The earlier proposed increased NSSF contributions was never implemented
Staff Welfare	5,000,000	-	5,000,000	4,477,875	522,125	10%	within budget
Medical Expenses	26,266,800	-	26,266,800	23,279,244	2,987,556	11%	within budget
Interns Allowance	3,500,000	-	3,500,000	191,967	3,308,033	95%	cashflow challenges forced the Board to reduce on interns during the year
Other Allowances- Bonus	4,500,000	-	4,500,000	0	4,500,000	100%	No bonus was paid in the year
Sub total	275,002,544	-	275,002,544	226,967,548	48,034,996	17%	
D) General Expenses							

Annual Reports and Financial Statement
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DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% variance	Remarks
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019		
Membership to professional associations	4,000,000	-	1,500,000	1,824,662	(324,662)	-22%	Within budget
General Insurance	6,000,000	-	6,000,000	6,706,808	(706,808)	-12%	Completion of more projects in the year increasing the number of insurable assets
Sub total	10,000,000	-	7,500,000	8,531,470	(1,031,470)	-14%	
E) Operation Expenses							
Planning and Design	7,200,000	-	7,200,000	1,229,840	5,970,160	83%	This item was financed under the various projects due to cashflow challenges
Environmental impact Assessment	6,000,000	-	6,000,000	1,401,688	4,598,312	77%	This item was financed under the various projects due to cashflow challenges
Project costs		350,000,000	350,000,000	347,741,082	2,258,918	1%	within budget
Sub total	13,200,000	350,000,000	363,200,000	350,372,610	12,827,390		
Depreciation				536,242,169	(536,242,169)		It is not a cashflow item hence was not budgeted for
Interest on loan/loan repayment				87,475,395	(87,475,395)		Cashflow challenges crippled the Board's ability to service the loans during the year
Total Expenditure	493,992,053	309,507,947	801,000,000	1,386,112,154	(585,112,155)		
Recurrent Surplus before provisions	524,507,947	(413,007,947)	114,000,000	(458,204,599)	599,413,032		
Less increase in provisions				12,036,598	(12,036,598)		It is not a cashflow item hence was not budgeted for
Recurrent Surplus after provisions	524,507,947	(413,007,947)	114,000,000	(446,168,000)			

Athi Water Works Development Agency
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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Athi Water Works Development Agency is established by and derives its authority and accountability from Water Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. AWWDA's principal activity is to ensure efficient, effective and sustainable provision of quality and affordable water services (defined to include sewerage) in its area of jurisdiction - Nairobi County, Kiambu County and Muranga County.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of AWWDA.

The financial statements have been prepared in accordance with the PFM Act, the Water Act 2016, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. IPSAS 40 is not applicable to AWWDA as the entity did not have any combinations and amalgamations in the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Property, Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight line basis, at annual rates estimated to write off the carrying values of the assets over their expected useful lives.

The annual depreciation/amortization rates in use are:

Office Equipment – Computers	33%
Furniture and fittings	10%
Motor Vehicles	25%
Plant and Equipment	10%
Dams and Pans	2.5%
Water Meters	20%
Water & Sewerage Infrastructure	2.5%

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as finite over a period of three years.

Intangible assets are stated at historical cost less accumulated amortization value and impairment losses.

The amortization cost is calculated on the straight-line basis, at annual rates of 33% estimated to write off the carrying values of the intangible assets over their expected useful lives.

e) Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

ii. Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

f) Inventories

Inventory is measured at cost upon initial recognition. The cost is determined using the First in First out (FIFO) method. After initial recognition, inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of AWWDA.

g) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. AWWDA had cases in court but the possible outflow is not quantifiable given that it was hard to predict the outcome.

i) Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. AWWDA only has accumulated fund for reserves.

k) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy prospectively.

l) Employee benefits

Retirement benefit plans

AWWDA provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. AWWDA subscribed to the Water Pension Scheme which is a defined contribution plan for all staff under permanent and pensionable terms; for management staff under contracts their gratuity is paid directly to their individual pension accounts held with different insurance companies. The entity therefore is under no obligation to pay further contributions in the event the fund managers don't hold sufficient assets to pay our employees.

m) Capital and Revenue Grants

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is initially recognized as deferred income (liability) and released as income over periods necessary to match the grant on a systematic basis to the cost that it is intended to compensate. When the grant relates to an asset, (Capital) the landed cost or the fair value is credited to a deferred income account and is released to the income statement income over the periods and in the proportions in which depreciation of those assets is charged.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Deferred income recognition

All Grant money received from Donors and GoK is initially recorded as deferred income in the financial statements. All recurrent project costs incurred in relation to the grant are debited to this this account and credited to grant income.

Grant expenditure relating to assets is periodically released to grant income by debiting the deferred income account with the value of the annual depreciation and crediting grant income with the same amount.

Deferred income is a liability in the books of accounts. The transactions passed are as given below:

Cash received from donor

Dr. Cash at Bank

Cr. Deferred income

Project costs

Dr. Deferred income

Cr. Grant income

Annual depreciation

Dr. Deferred income

Cr. Grant income

o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

p) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

r) Cash and cash equivalents

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Comparative figures

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

j) 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, 2019.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a) Critical Judgments in Applying the Board's Accounting Policies

In the process of applying the Board's accounting policies, judgments have been made in determining:-

- Whether the assets are impaired;
- The classification of financial assets;
- The going concern.

b) Critical Accounting Estimates and Assumptions

The key areas of judgments and sources of uncertainty in estimation are as set out below:

(i) Useful lives of property and Equipment

The directors make estimates in determining depreciation rates for property and equipment. The rates are set out in the accounting policy (g) above for property and equipment. The board review the estimated useful lives of plant and equipment at the end of each reporting period. During the financial year, no changes to the useful lives were identified by the board of directors.

(ii) Contingent Liabilities

As disclosed in these financial statements, the Board is exposed to various contingent liabilities in the normal course of business. The directors evaluate the status of these exposures on a regular basis to assess the probability of the Board incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established. Although AWWDA is faced with numerous legal suits as at the end of the financial year, the Board was not able to quantify any contingent liability that is likely to actualise.

(iii) Provision for Doubtful Debts

The Board reviews its travel advances portfolio to assess the likelihood of impairment. Provision for impairment of receivables is established when there is objective evidence that the Board will not be able to collect all amounts due. Where necessary an estimation of the amounts irrecoverable is made in that year. Provision for impairment shall be recognized upon approval by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

(iv) Other Provisions

Other provisions are recognized when the Board has legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(v) Impairment Losses

At each reporting period end, the Board reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable value of the asset. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provision for untaken leave

The amount reported in the statement of financial position is calculated on the assumption that if AWWDA was to close shop then it would have to pay staff for untaken leave calculated as:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

$$\frac{\text{No of untaken leave days}}{30 \text{ Days}} \times \text{Basic pay}$$

- i. Provision for Audit and management fees

The amount reported in the accounts is equivalent to the most recent invoice from the office of the Auditor General

Provision for Bad debts

The reported amount is general provision calculated as 5% of the outstanding operational debtors (debtors resulting from exchange transaction).

Provision for doubtful bank balances

The provision of Kshs 7,862,977 being the 25% of the balance previously held at Chase Bank. This amount is currently under KDIC and AWWDA is currently unsure of the recoverability of the balance.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Notes to the Financial Statements			
	Details	2019 Kshs	2018 Kshs
6	Donor Grants Restricted		
	ACP-EU	4,747,423	4,841,256
	IDA	5,078,905	6,131,628
	AFD	66,008,150	66,098,282
	WaSSIP	42,066,206	33,561,124
	KISSIP	7,367,157	7,503,573
	KFW-NTS	116,469,900	16,578,550
	ADB - Kibera	7,095,907	1,865,652
	Kajiado rural	2,144,100	2,106,315
	Total -it includes income earned from donor financing	250,977,749	138,686,379
7	Government of Kenya Grants-Un restricted		
	Government of Kenya-AWWDA administration recurrent Grants	437,470,000	105,000,000
	Government of Kenya Grants-Project related grants	170,221,157	274,016,509
	Total -This is government support for project specific recurrent costs as well as AWWDA administration costs	607,691,157	379,016,509
8	Receipts from Water Service Providers for loan repayment and administration fees		
	Administration fee from Nairobi Water & Sewerage Company		386,986,089
	Administration fee from Other WSP's		70,796,745
	Loan repayment from NCWSC		924,974,688
	Loan repayment from other WSPs	17,303,340	89,821,605
	Total -This is a reimbursement to the recurrent costs of AWSB and loan repayment amount	17,303,340	1,472,579,127
9	Finance Income		
	Miscellaneous income	1,299,030	993,062
	Interest on deposit	50,636,281	42,306,744
	Gain/(Loss) on Disposal		
	Total -it includes majorly income from sale of tenders, and interest earned on bank deposits	51,935,311	43,299,805
10	Administrative Expense		
	Rent and Rates	25,138,469	25,405,284
	Advertising Expenses	11,383,841	4,990,142
	Entertainment & Office Tea	131,318	683,766
	General Office Running Expenses	2,421,198	3,558,257
	Printing & Stationery	3,049,641	3,685,929
	Education and Training	13,874,702	16,930,066
	Library & subscription Expenses	405,006	627,000
	Workshops & seminars	16,121,664	12,681,564
	Travel and Accommodation	20,919,757	13,466,501
	Telephone Expenses	2,980,410	3,304,583

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Notes to the Financial Statements			
	Details	2019 Kshs	2018 Kshs
	Audit & Management fees	1,044,000	812,000
	Bank Charges	7,349,487	6,649,644
	IT Costs & Accessories	6,008,531	6,167,969
	Transport operating	13,486,527	8,940,325
	Uniform & Clothing	0	109,680
	Repairs & maintenances-Office Equipment, Furniture and Fittings	1,102,330	1,721,088
	Emergency Works and Hire of plant & Equipment		
	Professional Consultancy Fees	15,814,692	13,793,667
	Monitoring and Evaluation	2,853,230	3,449,173
	Total	144,084,801	126,976,639
11	Remuneration of Directors		
	Honoraria	640,000	960,000
	Board Allowances	31,798,161	38,052,772
	Total	32,438,161	39,012,772
12	Employee Costs		
	Basic Pay	135,361,540	128,825,832
	House Allowance	27,880,732	25,010,666
	Entertainment Allowance	950,000	199,666
	Transport Allowance	8,518,143	7,771,266
	Leave and Passage allowance	1,722,200	1,565,685
	Gratuity Contribution	24,417,548	22,447,174
	N.S.S.F Employers Contribution	168,300	152,000
	Staff Welfare	4,477,875	3,128,283
	Medical Expenses	23,279,244	20,301,377
	Intern Allowance	191,967	95,122
	Other Allowance-Bonus	-	4,410,000
	Total	226,967,548	213,907,071
13	Operational Expense		
	Planning and Design	1,229,840	
	Environmental Impact Assessment	1,401,688	
	GOK-Counter funds-Project costs	139,017,148	
	Project Cost-Crop compensation		2,106,316
	Increase in provision for Bad & Doubtful Debts		236,413,889
	Total	141,648,676	238,520,205
14	General Expenses		
	Membership of Professional Associations	1,824,662	4,054,692
	Insurance	6,706,808	5,937,995
	Total	8,531,470	9,992,687
15	Project Cost		
	GOK		235,024,238
	IDA		3,292,700
	WASSIP	82,194,800	51,958,598
	KFW-NST	116,469,900	16,578,550
	AFD - NCT	10,059,234	2,594,644
	Total	208,723,934	309,448,730

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16. Property plant and equipment for the year ended 30th June 2019: Fixed Asset Schedule

	Office Equipment	Furniture & Fittings	Motor Vehicles & cycles	Plant & Equipment	Dams & Pans	Land	Meters	Water Infrastructure	Sewerage Infrastructure	Work in Progress	Total
COST	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Cost Fully depreciated	43,291,409	13,464,907	186,545,378	5,166,617			5,012,100				253,480,410
Cost Depreciable	60,665,607	2,528,350	59,683,405	167,988,703	3,168,297,443	51,322,174	77,206,500	8,447,885,499	7,552,850,689	8,494,976,099	28,083,404,469
Subtotal Cost As at 1 July 2017	103,957,015	15,993,257	246,228,783	173,155,320	3,168,297,443	51,322,174	82,218,600	8,447,885,499	7,552,850,689	8,494,976,099	28,336,884,879
Additions											0
Purchase	5,289,488					1,517,900				5,101,239,415	5,108,046,803
Disposal											0
Reclassification											
As at the 30 June 2018	109,246,503	15,993,257	246,228,783	173,155,320	3,168,297,443	52,840,074	82,218,600	8,447,885,499	7,552,850,689	13,596,215,514	33,444,931,682
Cost Fully depreciated	43,291,409	13,464,907	186,545,378	5,166,617			5,012,100				253,480,410
Cost Depreciable	65,955,095	2,528,350	59,683,405	167,988,703	3,168,297,443	52,840,074	77,206,500	8,447,885,499	7,552,850,689	13,596,215,514	33,191,451,272
Subtotal Cost As at 1 July 2018	109,246,503	15,993,257	246,228,783	173,155,320	3,168,297,443	52,840,074	82,218,600	8,447,885,499	7,552,850,689	13,596,215,514	33,444,931,682
Additions											0
Purchase										8,484,022,760	8,484,022,760
Disposal											0
Reclassification			9,596,577	54,630,414		77,422,500		995,872,505	167,678,343	-1,474,200,954	-169,000,615
As at the 30 June 2019	109,246,503	15,993,257	255,825,360	227,785,734	3,168,297,443	130,262,574	82,218,600	9,443,758,004	7,720,529,032	20,606,037,320	41,759,953,826
DEPRECIATION											
As at 1 July 2017	61,238,214	14,605,279	193,094,064	49,297,448	426,058,329	0	34,038,369	625,707,952	410,498,714	0	1,814,538,368
Charge for the year	20,542,764	252,835	14,920,851	16,358,423	79,207,410	0	15,441,300	211,197,138	178,581,713	0	536,502,433
Depr/adj for Disposed Assets											
As at 30 June 2018	81,780,978	14,858,114	208,014,915	65,655,870	505,265,738	0	49,479,669	836,905,089	589,080,427	0	2,351,040,801
As at 1 July 2018	81,780,978	14,858,114	208,014,915	65,655,870	505,265,738	0	49,479,669	836,905,089	589,080,427	0	2,351,040,801
Charge for the year	19,909,283	252,835	14,920,851	15,993,593	79,207,436	0	15,441,300	211,369,635	171,449,800	0	528,544,734
Depr/adj for Disposed Assets											0
As at 30 June 2019	101,690,261	15,110,949	222,935,766	81,649,463	584,473,174	0	64,920,969	1,048,274,725	760,530,227	0	2,879,585,534
Net Book Value 30th June 2019	7,556,242	882,308	32,889,594	146,136,271	2,583,824,269	130,262,574	17,297,631	8,395,483,279	6,959,998,805	20,606,037,320	38,880,368,292
Net Book Value 30th June 2018	27,465,525	1,135,143	38,213,868	107,499,450	2,663,031,705	52,840,074	32,738,931	7,610,980,409	6,963,770,262	13,596,215,514	31,093,890,881

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17. Intangible assets as at 30th June 2019		
Description	2018-2019	2017-2018
	Kshs	Kshs
COST		
Cost Fully depreciated	33,076,843	26,217,020
Cost Depreciable	41,133,745	47,993,569
Subtotal Cost As at beginning of the year	74,210,588	74,210,588
Additions		
Purchase		0
Disposal		
Reclassification	169,000,615	
As at the 30 June	243,211,203	74,210,588
Amortization and impairment at the beginning of the year	60,922,922	50,331,200
Amortization for the year	7,697,435	10,591,722
Amortization adj for transferred/disposed Assets		
As at end of the year	68,620,357	60,922,922
Net Book Value 30th June	174,590,846	13,287,666

18. Cash & Bank Balances	2018-2019	2017-2018
	Kshs	Kshs
Current account	2,482,043,697	1,079,040,941
On - call deposits		126,000,000
Fixed deposits account	12,902,852	12,902,852
Staff car loan/ mortgage		-
Others-cash in hand		53,775
Total cash and cash equivalents	2,494,946,550	1,217,997,568

18 (a) Detailed analysis of cash and cash equivalents			
		2018-2019	2017-2018
Financial institution	Account number	Kshs	Kshs
a) Current account			
Cooperative Bank-operations	01136084618500	1,418,740,770	680,536,856.00
Cooperative Bank-Escrow	01141084618500	12,670,338	127,133.00
Kenya Commercial bank-WASSIP-AF	1139107380	1,008,317,824	121,822,702.00
Kenya Commercial bank-AFD-NCT	1156760372	34,953,496	263,056,596.00
Kenya Commercial bank-KISSIP	1143199359	959,011	929,164.00
NIC Bank-ADB NARSIP	1000017414	221,912	221,764.00
SBM Bank-Current	0212056995003	4,132	12,346,726.00
SBM Bank-Saving Account	0212056995007	6,176,214	
Sub- total		2,482,043,697	1,079,040,941.00
b) On - call deposits			
Cooperative Bank			
Cooperative Bank			126,000,000.00
Sub- total			126,000,000.00

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18 (a) Detailed analysis of cash and cash equivalents			
		2018-2019	2017-2018
Financial institution	Account number	Kshs	Kshs
c) Fixed deposits account			
Cooperative Bank			
Cooperative Bank		1,108,385	1,108,385.00
SBM Bank		11,794,467	11,794,467.00
Sub- total		12,902,852	12,902,852.00
d) Others			
cash in hand		0	53,775.00
Sub- total		0	53,775.00
Grand total		2,494,946,550	1,217,997,568.00

19.	Receivable from Exchange Transaction	2019	2018
	Receivables-WSPs	375,135,511	379,534,558
	Receivable NCWSC	4,112,329,326	4,112,329,326
	Total	4,487,464,837	4,491,863,884

20.	Receivable form Non-Exchange Transaction	2019	2018
	Other Debtors	1,534,168,450	680,114,599
	Receivable Chase Bank	7,862,977	7,862,977
	Staff Debtors	3,696,105	4,562,730
	Advance payments	7,288,650,265	6,705,526,809
	Transport operating deposit	200,000	
	Rent Deposit	4,705,228	4,705,228
	Total	8,839,283,025	7,402,772,343

21.	Inventory	2019	2018
	Office consumables	4,534,126	3,617,654
	Total	4,534,126	3,617,654

22.	Prepayments	2019	2018
	Prepaid maintenance	765,013	492,613
	Prepaid rent		12,184,470
	Prepaid insurance	9,722,995	6,187,738
	Parking fee		247,500
	Total	10,488,008	19,112,321

23.	Trade & Other payables from Exchange transactions	2019	2018
	Accounts Payable	1,176,728,796	954,298,407
	VAT & W/holding Tax	151,110,357	89,192,171
	Total	1,327,839,153	1,043,490,578

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24. Current provisions					
	Untaken leave benefits Kshs	Audit and management fees Kshs	Provision for bad debts Kshs	Amount in KDIC Kshs	Total Kshs
Balance as at 1st July 2017	2,538,366	874,000	-		3,412,366
Provision for the year	2,637,800	812,000	236,413,888.65	7,862,977	247,726,666
Provision utilized in the year	(758,896)	(812,000)			(1,570,896)
Provision as at 30th June 2017	4,417,270	874,000	236,413,888.65	7,862,977	249,568,135
Increase/decrease in provisions as at 30/6/2018	1,878,904	-	236,413,888.65	7,862,977	246,155,770
Balance as at 1st July 2018	4,417,270	874,000	236,413,888.65	7,862,977	249,568,135
Provision added for the year	1,291,901	982,000		-	2,273,901
Provision utilized in the year	(1,341,853)	(928,000)	(12,040,647.00)	-	(14,310,500)
Provision as at 30th June 2019	4,367,318	928,000	224,373,241.65	7,862,977	237,531,537
Increase/decrease in provisions	(49,951)	54,000	(12,040,647.00)	-	(12,036,598)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2019	2018
	Details	Kshs	Kshs
25.	Deferred Income-Short Term		
	IDA	2,004,890	2,492,789
	Total	2,004,890	2,492,789
26.	Employee entitlements and payroll creditors		
	Employee Entitlements	60,531	56,360
	Payroll creditors	4,850,803	5,596,945
	Total	4,911,334	5,653,305
27.	LOANS		
	a. Loans-AFD		
	Opening balance	3,016,392,928	2,931,382,826
	Disbursement for the year		
	Subtotal	3,016,392,928	2,931,382,826
	Interest	87,475,395	85,010,102
	Total Loan	3,103,868,323	3,016,392,928
	Less payment of AFD loan and Accrued Interest	6,440,000	
	Loan Balances	3,097,428,323	3,016,392,928
	Interest on Opening Balances @ 2.9%	87,475,395	85,010,102
	Interest on Disbursements during the year @ 2.9% for an assumed period of 1/3 of an year		-
	Total Interest expense	87,475,395	85,010,102
	b. LOAN KfW-NST	176,282,403.07	109,298,592
	c. LOAN KfW-NCWDN	1,944,549,681.00	864,595,467
	d. Loan-AFD NTC	5,503,361,623.00	4,176,067,947
	e. WASSIP Loan	19,450,603,953.78	16,147,842,698
	f. AfDB Loan - Nairobi Rivers	4,338,713,894.00	4,338,713,894
	g. Kenya Towns	947,070,422.40	
	Total	35,458,010,300.16	28,652,911,526
28.	Deferred Income-Long Term		
	IDA	1,383,927	5,974,923
	Kajiado rural	3,089,200	3,033,300
	GOK	12,399,440,716	9,977,770,872
	AFD	2,121,820,272	2,187,828,422
	WASSIP	17,781,919	17,781,919
	ACP-EU	89,262,531	94,009,954
	ADB	170,237,730	177,333,637
	KISSIP	181,628,931	188,996,088
	BADEA	436,250,853	222,942,855
	Ithanga Component I	1,005,327,568	-
	Ithanga Component II	753,324,315	284,755,499
	Total	17,179,547,961	13,160,427,469
29.	Accumulated Fund		
	Opening Balance	1,127,998,509	910,534,818
	Prior year		
	Surplus for the period	(446,168,000)	217,463,691

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		2019	2018
	Details	Kshs	Kshs
	Total	681,830,509	1,127,998,509
30.	GoK cash receipts Recurrent		
	Bank	437,470,000	105,000,000
	Total	437,470,000	105,000,000
31.	Receipts from WSPs		
	Opening balance	4,491,863,884	3,246,511,671
	Billing in the year	17,303,340	1,472,579,127
	Sub-total	4,509,167,230	4,719,090,798
	Closing balance	4,487,464,837	4,491,863,884
	Receipts during the year	21,702,393	227,226,913
32.	Cash paid for employee compensation		
	Employee costs	226,967,548	213,907,080
	(Increase)/ Decrease in payroll creditors	746,142	(198,354)
	(Increase)/ Decrease in employee entitlements	(4,160)	(91)
	Total	227,709,529	213,708,635
33.	Cash paid for administration costs	2019	2018
	Administration costs	144,084,801	126,976,639
	Increase/(Decrease) in inventory	916,472	2,870,333
	Increase/(Decrease) in prepayments	(8,624,313)	1,721,976
	(Increase)/Decrease in creditors	(8,968,379)	309,752
	Total	127,408,581	131,878,701
34.	Cash paid for directors' remuneration		
	Directors honoraria	32,438,161	39,012,772
	(Increase)/Decrease in creditors	-	80,000
	Total	32,438,161	39,092,772
35.	Cash paid for operation and project costs		
	Operation expenses	141,648,676	238,520,205
	Project costs	208,723,934	309,448,730
	(Increase)/Decrease in creditors	7,514,029	(37,504,745)
	Less 'Direct payments for project costs	116,469,900	16,578,550
	Total	241,416,740	493,885,640
36.	Cash paid for Purchase of property, plant, equipment and intangible assets		
	Cost of asset purchased	8,484,022,760	5,108,046,803
	(Increase)/Decrease in creditors	(282,894,226)	(377,606,825)
	Total	8,201,128,534	4,730,439,978
37.	Decrease/(decrease) in non-exchange receivables		
	Land compensation deposit to NLC	(854,053,851)	(666,822,209)
	Advance payments	(583,123,456)	(501,299,950)
	SBM, other deposits-rent and transport	(200,000)	(8,201,829)

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		2019	2018
	Details	Kshs	Kshs
	Staff debtors	866,625	(1,287,792)
	Total	(1,436,510,682)	(1,177,611,780)
38.	Proceeds from borrowings		
	Closing balance	35,458,010,300	28,652,911,526
	Add loan repayments in the year	6,440,000	-
	Less interest charge for the year	87,475,395	85,010,102
	Less Opening balance	28,652,911,526	24,048,961,750
	Loan amount received during the year	6,724,063,379	4,518,939,674
39.	Repayment of borrowings		
	Bank-AFD loan repayment	(6,440,000)	-
	Total	(6,440,000)	-

40. Increase/Decrease in deferred income					
	Increase in deferred income	Opening balance	Transfer to Grant income	closing balance	Increase/(Decrease) in deferred income 2017/2018
	IDA short-term	4,736,497	2,243,708	2,492,789	0
	IDA Long-term	9,862,852	3,887,929	5,974,923	-
	Kajiado rural	359,615	2,106,315	3,033,300	4,780,000
	GOK	8,064,273,426	274,016,509	9,977,770,872	2,187,513,955
	AFD	2,253,926,704	66,098,282	2,187,828,422	(0)
	WASSIP	17,781,919	33,561,124	17,781,919	33,561,123
	ACP-EU	98,851,210	4,841,256	94,009,954	0
	ADB	179,199,289	1,865,652	177,333,637	(0)
	KISSIP	196,499,662	7,503,573	188,996,088	(0)
	BADEA			222,942,855	222,942,855
	Ithanga Component I			-	-
	Ithanga Component II			284,755,499	284,755,499
	Total	10,825,491,174	396,124,348	13,162,920,258	2,733,553,432
	Increase in deferred income	Opening balance	Transfer to Grant income	closing balance	Increase /(Decrease) in deferred income 2018/2019
	IDA short-term	2,492,789	487,899	2,004,890	-
	IDA Long-term	5,974,923	4,590,996	1,383,927	-
	Kajiado rural	3,033,300	2,144,100	3,089,200	2,200,000
	GOK	9,977,770,872	170,221,157	12,399,440,716	2,591,891,001
	AFD	2,187,828,422	66,008,150	2,121,820,272	-
	WASSIP	17,781,919	42,066,206	17,781,919	42,066,206
	ACP-EU	94,009,954	4,747,423	89,262,531	0
	ADB	177,333,637	7,095,907	170,237,730	-
	KISSIP	188,996,088	7,367,157	181,628,931	-
	BADEA	222,942,855	-	436,250,853	213,307,998
	Ithanga Component I	-		1,005,327,568	1,005,327,568
	Ithanga Component II	284,755,499		753,324,315	468,568,817
	Total	13,162,920,256	304,728,996	17,181,552,851	4,323,361,591

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41. FINANCIAL RISK MANAGEMENT

AWWDA's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2019				
Receivables from exchange transactions	4,487,464,837	-	4,487,464,837	224,373,242
Receivables from non-exchange transactions	8,839,283,025	8,839,283,025	-	-
Bank balances	2,494,946,550	2,500,775,555	-	7,862,977
Total	15,821,694,412	11,340,058,580	4,487,464,837	232,236,219
At 30 June 2018				
Receivables from exchange transactions	4,491,863,884	-	4,491,863,884	236,413,889
Receivables from non-exchange transactions	7,402,772,343	7,402,772,343	-	-
Bank balances	1,217,997,568	1,217,997,568	-	7,862,977
Total	13,112,633,795	8,620,769,911	4,491,863,884	244,276,866

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from the water Service providers

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and

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liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	151,110,357	-	1,176,728,796	1,327,839,153
Provisions	5,295,318	-	232,236,219	237,531,537
Deferred income	0	-	2,004,890	2,004,890
Employee benefit obligation	4,850,803	-	60,531	4,911,334
Total	161,256,478	0	1,411,030,436	1,572,286,914
At 30 June 2018				
Trade payables	89,192,171	-	954,298,407	1,043,490,578
Provisions	5,291,270	-	244,276,866	249,568,136
Deferred income	0	-	2,004,890	2,004,890
Employee benefit obligation	5,596,945	-	56,360	5,653,305
Total	100,080,386	0	1,200,636,523	1,300,716,909

(iii) Market Risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

AWWDA's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign Currency Risk

The entity has transactional currency exposures. Such exposure arises through contract prices which are denominated in foreign currency yet AWWDA's income is wholly in local currency. Since most of such contracts are development partner funded, AWWDA has mitigated the risk by enforcing direct payments as the preferred method of disbursement hence minimizing the exposure.

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the entity's deposits.

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Management of interest rate risk

To manage the interest rate risk, management always negotiates for favourable interest rates whenever placing any deposits on call or fixed deposits. Majority of the Agency's current accounts do not attract interest. Additionally, AWWDA did not have any loans with commercial banks during the year under review.

c) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	681,830,509	1,127,998,509
Total assets	54,904,926,700	44,242,542,311
Total funds	55,586,757,209	45,370,540,820
Total borrowings	35,965,708,654	29,160,609,880
Less: cash and bank balances	-2,494,946,550	(1,217,997,568)
Net debt/(excess cash and cash equivalents)	33,470,762,104	27,942,612,312
Gearing	60%	62%

42. RELATED PARTY BALANCES

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Ministry of Water and Sanitation;
- iv) Water Services Regulatory Authority
- v) Water Service Providers;
- vi) County Governments of Nairobi, Kiambu and Murang'a
- vii) Key management;
- viii) Board of directors;

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	2018-2019	2017-2018
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
N/A		
Total	-	-
b) Grants from the Government		
Grants from National Government-Through	2,979,361,000	2,198,339,800
Grants from County Government	50,000,000	-
Donations in kind	-	-
Total	3,029,361,000	2,198,339,800
c) Expenses incurred on behalf of related party		
N/A	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	32,457,161	39,221,972
Compensation to the CEO	5,995,290	-
Compensation to key management	14,478,963	16,007,148
Total	52,931,414	55,229,120

43. SEGMENT INFORMATION

AWWDA does not have any branches or reporting segments and all its operations are managed from the registered office.

44. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

AWWDA did not have any contingent asset or liability by the end of the FY2018/19

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45. CAPITAL COMMITMENTS

	Capital commitments	2018/2019	2017-2018
		Kshs	Kshs
1	Nairobi Water Distribution Network	3,955,000,000	2,886,677,274
2	Nairobi Satellite Towns Water and Sanitation Program	2,886,677,274	189,416,061
3	Extension of Nairobi Water Supply (Northern Collector)	6,217,799,471	6,217,799,471
4	Ithanga Water supply	2,530,000,000	
5	Water & Sanitation Services & Improvement Project (Athi WSB)	5,907,685,463	5,907,685,463
6	Rehabilitation of Water Supply And Sewerage For Oloitokitok Town	784,000,000	784,000,000
7	Kajiado Rural Water Supply	726,000,000	726,000,000
8	Kiserian Sewerage Project	501,000,000	501,000,000
9	Kenya Towns Sustainable water supply and Sanitation Program	9,370,350,525	811,569,873
10	Nairobi Metro Area Bulk water Sources-Ruiru II Dam		
11	Nairobi Rivers Basin Rehabilitation And Restoration Programme: Sewerage Improvement Project	170,000,000	-
12	Nairobi Metro Area Bulk water Sources-Karimenu II	17,350,000,000	17,350,000,000
13	Nairobi City Regeneration Programme	895,000,000	
14	Nairobi Sewerage Intervention	250,000,000	
15	Ground water exploitation	126,000,000	
16	Kajiado Rural Water Supply	9,990,001,000	
	TOTAL	50,398,512,733	35,374,148,142

46. DIVIDENDS/SURPLUS REMISSION

AWWDA did not make any surplus during the year (FY 2018/2019) and hence no remittance to the Consolidated Fund

47. TAXATION

AWWDA is a government parastatal and as such is not expected to pay taxes

48. DEFERRED TAX LIABILITY

AWWDA is a government parastatal and as such is not expected to pay taxes

49. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

50. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation under the Ministry of Water and Sanitation. Its ultimate parent is the Government of Kenya.

51. Currency

The financial statements are presented in Kenya Shillings (Kshs).

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APPENDIX 1: 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)																		
1	<p>Cash and Bank Balances</p> <p>The cash and bank balances reflects Kshs.1, 217,997,568 as at 30 June 2018, as disclosed in note 18. Included in this is a current account number 01136084618500 maintained by the Board in Co-operative Bank of Kenya, which is mainly used for its recurrent activities. It was however observed that the Board does not maintain a separate bank account for its development activities, instead, government funds received by the Board for various capital projects, together with related transactions on the projects during the year under review, were transacted through the above recurrent account, as detailed in the table below:</p> <table border="1"> <thead> <tr> <th>Capital Project</th> <th>Transfers from the Ministry(Kshs)</th> </tr> </thead> <tbody> <tr> <td>Nairobi Water Distribution Network</td> <td>75,000,000</td> </tr> <tr> <td>Nairobi Satellite Towns Water & Sanitation</td> <td>130,000,000</td> </tr> <tr> <td>Northern Collector(extension of Nairobi water supply)</td> <td>250,000,000</td> </tr> <tr> <td>Ithanga Water Supply</td> <td>17,000,000</td> </tr> <tr> <td>Water & Sanitation Services Improvement Project</td> <td>186,000,000</td> </tr> <tr> <td>Rehab Water Supply &Sewerage-Oloitoktok</td> <td>33,000,000</td> </tr> <tr> <td>Kajiado Rural Water Supply</td> <td>22,000,000</td> </tr> <tr> <td>Kiserian Sewerage</td> <td>116,000,000</td> </tr> </tbody> </table>	Capital Project	Transfers from the Ministry(Kshs)	Nairobi Water Distribution Network	75,000,000	Nairobi Satellite Towns Water & Sanitation	130,000,000	Northern Collector(extension of Nairobi water supply)	250,000,000	Ithanga Water Supply	17,000,000	Water & Sanitation Services Improvement Project	186,000,000	Rehab Water Supply &Sewerage-Oloitoktok	33,000,000	Kajiado Rural Water Supply	22,000,000	Kiserian Sewerage	116,000,000	<p>We concur with the observation that the funds are managed from the operations account. However, the Management maintains a fund account for each of the projects.</p> <p>To mitigate the risk, Management has sought approval from the National Treasury through the Ministry of Water and Sanitation to open a development account for the counterpart funds received from the Ministry of Water and Sanitation.</p> <p>AWWDA is following up with Ministry of Water and Sanitation to push the National Treasury and Planning for the approval.</p>	The Chief Manager-Finance and Strategy	Partially resolved	31 st March 2020
Capital Project	Transfers from the Ministry(Kshs)																						
Nairobi Water Distribution Network	75,000,000																						
Nairobi Satellite Towns Water & Sanitation	130,000,000																						
Northern Collector(extension of Nairobi water supply)	250,000,000																						
Ithanga Water Supply	17,000,000																						
Water & Sanitation Services Improvement Project	186,000,000																						
Rehab Water Supply &Sewerage-Oloitoktok	33,000,000																						
Kajiado Rural Water Supply	22,000,000																						
Kiserian Sewerage	116,000,000																						

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)										
	<table border="1"> <tr> <td>Kenya Towns Sustainable water supply and sanitation</td> <td>12,000,000</td> </tr> <tr> <td>Nairobi metro area bulk water sources Ruiru II dam</td> <td>8,000,000</td> </tr> <tr> <td>Nairobi city and sewerage support services interventions</td> <td>106,000,000</td> </tr> <tr> <td>Karimenu II dam</td> <td>803,000,000</td> </tr> <tr> <td>Nairobi metropolitan services improvement</td> <td>250,000,000</td> </tr> </table> <p>No separate cashbooks were therefore maintained for the recurrent activities and the various capital project fund. Similarly, there were no separate bank reconciliation statements, to facilitate performance of the necessary bank reconciliation audit procedures. Under the circumstances, it was not possible to confirm the balance as per bank records and balance as per cashbook, for the various capital project funds, which are included in the cash and bank balance.</p>	Kenya Towns Sustainable water supply and sanitation	12,000,000	Nairobi metro area bulk water sources Ruiru II dam	8,000,000	Nairobi city and sewerage support services interventions	106,000,000	Karimenu II dam	803,000,000	Nairobi metropolitan services improvement	250,000,000				
Kenya Towns Sustainable water supply and sanitation	12,000,000														
Nairobi metro area bulk water sources Ruiru II dam	8,000,000														
Nairobi city and sewerage support services interventions	106,000,000														
Karimenu II dam	803,000,000														
Nairobi metropolitan services improvement	250,000,000														
2	<p>Property, Plant and Equipment</p> <p>2.1 Fully Depreciated Assets.</p> <p>The property, plant and equipment reflects Kshs.31, 093,890,875, as disclosed in note 16. Included in these assets are fully depreciated assets whose original cost is Ksh. 213,150,059. These assets are still in good working conditions and were being utilized by the Board, during the year and review. It was observed that management has not revalued the above assets and recognized them in the books at the revaluation amounts, contrary to the requirements of IPSAS 17 paragraph44. Further, management did</p>	<p>We concur with the observation by the Office of the Auditor General.</p> <p>AWWDA policy requires the revaluation to be undertaken every 5 years for Equipment. In line with the policy revaluation is scheduled to be undertaken in the Financial year 2019-20.</p>	The Chief Manager-Finance and Strategy	Not resolved	30 th June 2020										

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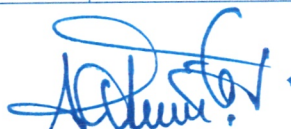
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>not review the useful economic life of the above assets before they were fully depreciated.</p> <p>2.2 Inherited Assets As previously reported, the Board inherited non-current assets of undetermined value previously held by the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation in respect of water infrastructure, which have not been incorporated in the financial statements.</p> <p>In view of the foregoing, it has not been possible to confirm the accuracy, valuation and completeness of the property, plant and equipment balance of Kshs.31, 093,890,875 as at 30 June 2018.</p>	<p>The non-implementation of transfer plan is a sector wide issue. By the close of the financial year the Board did not have the ownership documents and therefore could not incorporate the value of assets in the financial statements. The matter is being addressed during the transition period of the Water Act 2016. The Water Works Development Agencies have been gazetted and therefore the Issue has been resolved in line Section 152. (1) of the Water Act 2016 and legal notice no 27 and 28.</p>	The Chief Executive Officer	Resolved	30 th June 2020
3	<p>Un-serviced Loan The financial statements of the Board reflect loans amounting to Kshs. 29,160,609,808, as disclosed in note 27. Included in these is an AFD loan with a book balance of Kshs. 2,931,382,826, (original amount: Kshs. 3,850,000,000) on-lent to the Board by the National Treasury in two parts of Kshs. 1,870,000,000 and Kshs.1,980,000,000 in 2006 and 2009 , respectively, and repayable in 15 years at interest rate of 2.9 % , among other terms. According to the provisions of the subsidiary agreement between the Board and the National Treasury, the former is required make semi-annual payments to the latter, comprising both the principal and interest on the loan, as they fall due. However, during the year under review, the Board did not make the due payments amounting to Kshs. 77,081,224, in relation to the 2017/2018 financial year. Further, the above outstanding payable has not been included in</p>	<p>It's true AWWDA was unable to repay the AFD loan and interest for the year 2017/2018. This is because of failure by the Nairobi Water and Sewerage Company to remit amounts meant for Loan repayment as stipulated in the tariff approved by the Water Services Regulatory Authority. The issue has been escalated to the Ministry of Water and Sanitation and the Water Regulatory Authority to compel the water company to remit the lease fees. The ministry has since written to the county government of Nairobi requesting for their intervention in</p>	The Chief Executive Officer	Not resolved	30 th June 2020


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>the payables figure of Kshs. 1,043,490,578, reflected under note 23. Under the circumstances, it was not possible to confirm that the Board met its obligations as and when they fell due.</p> <p>The Audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Athi Water Services Board in accordance with ISSAI 30 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.</p>	<p>collecting the outstanding administrative fees to the Board and Loan amounts</p>			
	<p>Other Matters 1.Long Outstanding Receivables The exchange transactions reflects Kshs. 4, 491,863,884, as disclosed in note 19. Included in these is Kshs. 3,246,511,671 owed by Nairobi County Water and Sewerage Company, which has been outstanding for periods beyond the financial year under review. The financial statements further reflect receivables from non-exchange transactions amounting to Kshs. 7,402,772,343, as disclosed in note 20. These include other receivables of Kshs. 680,114,599, which further include Kshs. 7,092,497 due from a High Court of Kenya, which arose in 2014/2015. Consequently, it has not been possible to confirm the recoverability of the receivables from exchange and non-exchange transactions, which have been long outstanding.</p>	<p>I. It's true that some of the debtors have been outstanding for a long time. This is especially amounts due from the Water Service Providers notably Nairobi Water and Sewerage Company</p> <p>II. Management has made several efforts to recover the outstanding debts. AWWDA signed deeds of settlement with the water companies who did not honour the agreement. AWWDA sought authority from the office of the Attorney General to engage a debt collector but the Attorney General advised for an engagement of the company, parent ministry, the National Treasury & Planning through the intergovernmental agency given that the companies are owned by the county governments.</p>	<p>The Chief Executive Officer</p>	<p>Not resolved</p>	<p>30th June 2020</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2	<p>Non Compliance with Legal Notice No. 101 of August 2006 - Transfer Plan</p> <p>According to the transfer plan under the Water Act 2002, which was operationalized vide legal Notice No. 101 of August 2005, Water Service Board ought to have taken over the assets, staff and other water infrastructure inherited from the Ministry of Water and Irrigation, the National Water Conservation and Pipeline Corporation. Although, Athi Water Service Board, the Ministry of Water and Irrigation and the National Water Conservation and Pipeline Corporation had finalized the revaluation of the assets, Athi Water Service Board had not taken over the Assets as at 30 June 2018. The Board is therefore in contravention of legal Notice No. 101 of August 2005 and the Water Act 2002.</p>	<p>This has been resolved by the Water Act, 2016, Section 152 Transition Provisions, that provides that all property, assets, rights, liabilities, obligations, agreements and other arrangements existing concerning the operation of water services boards at the commencement of the Act and vested in, acquired, incurred or entered into by or on behalf of the water services boards established by the Water Act, 2002 shall, upon commencement of the Act, be deemed to have vested in or to have been acquired, incurred or entered into by or on behalf of the water works development agencies to the same extent as they were enforceable by or against the water services boards before the commencement of the Act. This Act came into effect on 3rd May, 2019.</p>	The Chief Executive Officer	Resolved	30 th June 2020


ENG. MICHAEL M. THUITA
CHIEF EXECUTIVE OFFICER
 DATE:


HON. ENG. JOHN KIRAGU CHEGE
CHAIRMAN
 DATE:

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

S/N o	Project title	Project Number	Donor	Period/ duration	Donor commitm ent (Kshs Millions)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidat ed in these financial statements (Yes/No)
1	Water & Sanitation Services & Improvement Project	1107101600	World Bank	Dec 2012- Dec 2021	14,880	Yes	Yes
2	Extension of Nairobi Water Supply (Northern Collector)	1107101300	World Bank & AFD	Apr 2014- Dec 2021	10,050	Yes	Yes
3	Nairobi Water Distribution Network Phase I	1107101000	KfW	Jul 2014-Dec 2021	2,700	Yes	Yes
4	Nairobi Rivers Basin Restoration Programme: Sewerage improvement	1103102100	AfDB	Sept 2012- Dec 2017	4,239	Yes	Yes
5	Nairobi Satellite Towns Water and Sanitation Program	1107101100	KfW	Jul 2014-Dec 2020	2,600	Yes	Yes
6	Rehabilitation of Water Supply and Sewerage For Oloitokitok Town	1107102400	BADEA	Dec 2013- Jun 2020	825	No	Yes
7	Kajiado Rural Water Supply	1107102800	BELGIUM	Apr 2016- Dec 2019	898	No	Yes
8	Thika and Githunguri Water and Sanitation Project	1107108100	DANIDA	Jul 2017-Dec 2020	50	No	Yes
9	Kenya Town Sustainable water Supply and Sanitation Programme - Athi	1107111400	AfDB	Mar 2017- Dec 2022	9,000	Yes	Yes
10	Nairobi Metro Area Bulk water sources - Karimenu II	1107111701	EXIM BANK	Jan 2018- Dec 2022	24,000	No	Yes
11	Nairobi Metro Area Bulk water sources - Ruiru II Dam	1107107100	DEUTCH E BANK	Jul 2017-Jan 2022	22,000	No	Yes
12	Ithanga Water supply	1107109900	BELGIUM	Sept 2017- Sept 2020	2,300	No	Yes
	Total				93,542		

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Status of Projects completion

	Project	Total project Cost Kshs Millions	Total expended to date Kshs Millions	Completion % to date	Budget	Actual	Sources of funds
1.	Water & Sanitation Services & Improvement Project	16,000	10,715	73%	2,746	2,644	IDA/ World Bank
2.	Extension of Nairobi Water Supply (Northern Collector)	11,060	4,730	60%	1,394	1,319	AFD
3.	Nairobi Water Distribution Network Phase I	3,300	1,618	77%	907	903	KfW
4.	Nairobi City Regeneration Programme	2,895	1,001	50%	880	26	GoK
5.	Nairobi Sewerage Intervention	250	168	50%	250	168	GoK
6.	Ground water exploitation	126	68	50%	126	68	GoK
7.	Nairobi Rivers Basin Restoration Programme: Sewerage improvement	4,710	4,540	100%	15	14	AfDB (the pending Bills is by GOK)
8.	Nairobi Satelite Towns Water and Sanitation Program	3,080	727	5%	248	178	KfW
9.	Kiserian Sewerage Project	900	553	40%	100	78	GoK
10.	Rehabilitation of Water Supply and Sewerage For Oloitokitok Town	1,123	657	40%	139	153	BADEA
11.	Kajiado Rural Water Supply	999	894	73%	232	230	Belgium
12.	Thika and Githunguri Water and Sanitation Project	100	77	27%	33	15	Danida
13.	Kenya Town Sustainable water Supply and Sanitation Programme - Athi	9,400	512	20%	1,800	1,553	AfDB
14.	Nairobi Metro Area Bulk water sources - Karimenu II	28,000	5,910	5%	800	785	Exim Bank-EPC-F
15.	Nairobi Metro Area Bulk water sources - Ruiru II Dam	25,000	530	1%	20	0.24	Deutche Bank -EPC-F
16.	Ithanga Water supply	2,530	1,121	30%	470	467	Belgium
		109,473	33,821		10,160	8,603	

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:		ATHI WATER WORKS DEVELOPMENT AUTHORITY		
Break down of Transfers from the State Department of Water and Sanitation				
FY 2018/2019				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Recurrent Funds	5-Sep-18	37,583,333.00	2018/2019
	Recurrent Funds	5-Sep-18	37,583,333.00	2018/2019
	Recurrent Funds	3-Oct-18	37,583,333.00	2018/2019
	Recurrent Funds	2-Nov-18	36,831,667.00	2018/2019
	Recurrent Funds	3-Dec-18	36,831,667.00	2018/2019
	Recurrent Funds	24-Jan-19	36,831,667.00	2018/2019
	Recurrent Funds	12-Feb-19	36,831,667.00	2018/2019
	Recurrent Funds	5-Mar-19	36,831,667.00	2018/2019
	Recurrent Funds	4-Apr-19	27,811,666.00	2018/2019
	Recurrent Funds	13-May-19	37,583,334.00	2018/2019
	Recurrent Funds	4-Jun-19	37,583,333.00	2018/2019
	Recurrent Funds	27-Jun-19	37,583,333.00	2018/2019
		Total	437,470,000.00	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	GOK counterpart- 1st Quarter	18-Oct-18	193,000,000.00	2018/2019
	GOK counterpart - 2nd Quarter	28-Dec-18	414,250,000.00	2018/2019
	Nairobi City Regeneration Programme	31-Dec-18	223,750,000.00	2018/2019
	Water for Schools Programme	14-Jan-19	30,450,000.00	2018/2019
	Drought Mitigation	25-Jun-19	61,000,000.00	2018/2019
	GOK counterpart - 3rd Quarter	25-Jun-19	416,750,000.00	2018/2019
	Karimenu II Dam	27-Jun-19	666,291,000.00	2018/2019
	GOK counterpart - 4th quarter	4-Jul-19	499,250,000.00	2018/2019
	Water for Schools Programme	8-Jul-19	22,150,000.00	2018/2019
	National Water Harvesting & Ground Water Exploration	15-Jul-19	15,000,000.00	2018/2019
		Total	2,541,891,000.00	

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c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	WaSSIP-AF	N/A	1,352,660,289.51	2018/2019
	AFD-NCT	N/A	1,327,293,676.82	2018/2019
	Nairobi Distribution -KfW	N/A	794,955,629.75	2018/2019
	Satellite Town -KfW	N/A	165,377,620	2018/2019
	Kenya Towns Programme (KTSWSSP)	N/A	974,070,422.00	2018/2019
		Total	4,614,357,638.55	
d. Donor Receipts				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	IDA Funds	8-Apr-19	1,253,017,632.35	2018/2019
	IDA Funds	24-Jun-19	739,149,540.00	2018/2019
		Total	1,992,167,172.35	
			9,585,885,810.90	

The above amounts have been communicated to and reconciled with the parent Ministry

Chief Manager- Finance and Strategy
 Athi Water Works Development Agency

Head of Accounting Unit
 Ministry of water & sanitation and Irrigation

Sign 

Sign 

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
Nairobi City County Government	18-Jul-18	Development	50,000,000			x			50,000,000
Total			50,000,000						50,000,000