

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT 07 DEC 2023

OF

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Deputy majority leader
Morrison*

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THE AUDITOR-GENERAL

ON

NAIROBI WATER AND SANITATION
PROJECT (CREDIT NO. CKE113501H)

FOR THE YEAR ENDED
30 JUNE, 2023

ATHI WATER WORKS
DEVELOPMENT AGENCY

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
KENYA
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PROJECT NAME: NAIROBI WATER AND SANITATION PROJECT

[FUNDED BY AGENCE FRANCAISE DE DEVELOPMENT]

Implementing Entity: ATHI WATER WORKS DEVELOPMENT AGENCY

PROJECT CREDIT NUMBER: CKE 1135

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Nairobi Water and Sanitation Project (Credit No CKE 1135)
Reports and Financial Statements
For the year ending June 30, 2023

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1. Acronyms and Glossary of Terms

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

2. Project Information and Overall Performance

2.1 Name and registered office

Name: The project's official name is Nairobi Water and Sanitation Project.

Objective: The project goal is to improve living conditions for the inhabitants of Nairobi by expanding water supply & sanitation reticulation networks within Nairobi.

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

The address of the registered office is:

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

Contacts: The following are the project contacts

Telephone: (254) 0202724292/3

E-mail: info@awwda.go.ke

Website: www.awwda.go.ke

2.2 Project Information

Project Start Date:	The project start date was 2 nd March, 2020
Original Project End Date:	The project end date is 14 th December 2025
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsors are the Government of Kenya (GoK) and the Agence Francaise De Development

2.3 Project Overview

Line Ministry/State Department of the Project	The project is under the supervision of the Ministry of Water, Sanitation & Irrigation.
Project number	CKE 1135
Strategic goal of the project	<p>The strategic goal of the project is to improve living conditions for the inhabitants of Nairobi by expanding water supply & sanitation reticulation networks within Nairobi.</p> <p>The project's specific objectives are to:</p> <ul style="list-style-type: none"> • Improve access to drinking water for the inhabitants of Nairobi; • Improve access to the sanitation network to reduce discharge of untreated effluents as well as health risks by laying of over 220 Km of tertiary and reticulation sewerage network • Build the capacities of the Nairobi City Water and Sewerage Company (NCWSC), responsible for operating the works, in particular with regards to reduction in Non-Revenue Water. <p>The project follows the Northern Collector Project that aims to tap a new water resource and increase by 140,000m³/d the volumes distributed in Nairobi city. The project therefore focuses on improving water supply and sanitation networks within Nairobi City.</p>
Achievement of strategic goal	<p>The project management aims to achieve the goals through the following means:</p> <p>The main works components under this component include:</p> <ol style="list-style-type: none"> 1. Component 1: Reinforcement and extension of the water distribution network- This component involves; <i>laying of 26km water transmission and 492km water distribution pipelines including 5,920 new household connections;</i> and increasing the water storage capacity for Nairobi by 16,500m³ (11,000m³ in Uthiru and 5,500m³ in Karen). 2. Component 2: Extension of the sewerage network – This involves laying of <i>220Km tertiary and reticulation sewers including 12,500 new household connections.</i> 3. Component 3: Increase access to water and sanitation in the informal settlements- This includes water supply networks, stand post, prepaid water distributors, sewerage networks, public toilets and showers specially designed in the selected areas. 4. Component 4: Building the operator's capacity and reduction of non-revenue water – This includes a long-term TA to NCWSC,

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	implementation of a remote management system for the main component of the networks, procurement, supply and installation of meters and supply of NRW related equipment.
Project duration	The project started on 2 nd March,2020; the project close date is 14 th December 2025

2.4 BANKERS

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

The following are the bankers for the current year:

- i) Kenya Commercial Bank- Account No 1279693258

2.5 AUDITORS

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

2.6 Roles and Responsibilities

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

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2.7 Funding Summary

The credit financing agreement (CFA) was signed between AFD and Kenyan National Treasury (NT) on 02nd March, 2020 for 5-year implementation period up to 14th December 2025. The funding summary is as per the table below:

A. SOURCE OF FUNDS

Source of funds	Donor Commitment-		Amount received to date – (30th June 2023)		Undrawn balance to date	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A)-(B)
(i) Grant						
Insert name of donor	N/A	N/A	N/A	N/A	N/A	N/A
(ii) Loan						
Proceeds from Loan from Agence Francaise Development	100,000,000	11,242,000,000	3,000,000	337,342,995	97,000,000	10,904,740,000
Sub- Total	100,000,000	11,242,000,000	3,000,000	337,342,995	97,000,000	10,904,740,000
COUNTERPART FUNDS						
Government of Kenya	-	-	445	50,000.00	-	-
	-	-	445	50,000	-	-
TOTAL	100,000,000	11,242,000,000	3,000,445	337,392,995	97,000,000	10,904,740,000

B. APPLICATION OF FUNDS

Application of funds	Amount received to date – (30th June 2023)		Cumulative amount paid to date – (30th June 2023)		Unutilised balance to date (30th June 2023)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A)-(B)
(i) Grant						
N/A						
(ii) Loan						
Proceeds from Loan from Agence Francaise Development	3,000,000	337,342,995	213,947,744	1,097,357	1,097,357	123,395,251
COUNTERPART FUNDS						
Government of Kenya	445	50,000	50,000	-	-	-
TOTAL	3,000,445	337,392,995	213,997,744	1,097,357	1,097,357	123,395,251

2.8 Summary of the overall project performance

In the financial year 2022/2023 the project had a budgeted disbursement of Kshs 1.33 billion. The actual disbursement as at 30th June 2022 was Ksh 337.3 million. This represents 35% utilisation for the year.

PROGRESS ON PROJECT COMPONENTS

The credit components include;

5. **Component 1: Reinforcement and extension of the water distribution network-** This component involves; *laying of 26km water transmission and 492km water distribution pipelines including 5,920 new household connections*; and increasing the water storage capacity for Nairobi by 16,500m³ (11,000m³ in Uthiru and 5,500m³ in Karen).
6. **Component 2: Extension of the sewerage network** – This involves laying of *220Km tertiary and reticulation sewers including 12,500 new household connections*.
7. **Component 3:** Increase access to water and sanitation in the informal settlements- This includes water supply networks, stand post, prepaid water distributors, sewerage networks, public toilets and showers specially designed in the selected areas
8. **Component 4:** Building the operator's capacity and reduction of non-revenue water – This includes a long-term TA to NCWSC, implementation of a remote management system for the main component of the networks, procurement, supply and installation of meters and supply of NRW related equipment;

The progress is as detailed below:

1.1 COMPONENT 1 & 2 – REINFORCEMENT AND EXTENSION OF WATER AND SEWERAGE NETWORK

Component 1 and 2 entails works aimed to reinforce and extend the water distribution networks and sewerage networks within Nairobi City. The estimated budget for these works is Kshs. 8.272 billion and is expected to benefit 828,500 people in Nairobi City.

The works are packaged in 4 contracts with 3 consultancy packages as follows;

a. Construction of Eastern Nairobi Water and Sewerage Network Intensification Project

The Consultancy contract was signed on 05th January 2022 and Consultancy commenced on 19th January 2022. The Consultancy is running for 43 months till 19th August 2025.

The project entails:

- ❖ Laying of approximately **220 Km water distribution** network pipeline ranging from DN (600mm-25mm) in Embakasi East, water pipeline extensions for the North Eastern, Northern and Eastern parts of

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Nairobi and last mile connections in areas of Obama, Saika, Mwengenyee, Maili Saba, Kamiti Road, Mwiki Road, Lucky Summer, Umoja 3, Donholm, Njiru, Mutuini with approximate **1903 new water connections**

❖ Laying of **sewer lines and sewer last mile connections**, for the areas of Kariobangi North & South, Marura, Umoja III/Riverbank, Maili Saba, Umoja Innercore, Embakasi, Mihango, and Plot 10 areas for an approximate length of **47 Km with approximate 1405 new connections**.

The project is expected to be implemented in a period of 24 Months.

The Works Contract has been awarded and the contractor issued with the Engineers notice to commence works latest on 21st June 2023. The contractor is setting up camp.

b. Construction of Kabete Olesereni, West and South Nairobi Water and Sewerage Project

The Consultancy commenced on 11th May 2022. The Consultancy is running for 44 months with a completion date of 10th January 2026.

The **scope of works** involve:

- ❖ Construction of the Kabete-Olesereni Pipeline, DN 600 Ferrous (Steel or Ductile Iron) Pipeline, length **19.6 km**
- ❖ Construction of **Water Distribution Pipelines**, HDPE and Ferrous (Steel or Ductile Iron Pipeline) size 63mm to 600mm diameter, total length **57 km** in Kangemi, Dagoretti- Kinoo, Kawangware, Wilson Airport Area, Kabiria, Ngong Forest, Karen Plains and Kirigu areas, including **approximately 560Nr Consumer Connections** and approximately 10km of OD 20 - OD 32 Service Mains to facilitate the Connections.
- ❖ Construction of **1Nr Reinforced Concrete Water Storage Tank at Karen, capacity 5,500m³**.
- ❖ Construction of **Reticulation Sewers**, OD 200 to OD 300 Double Wall Corrugated (DWC) Pipes, approximate total **length 63 km** in Dagoretti, Ngando, Riruta, Kawangware, Kangemi and Uthiru areas, including approximately 640Nr Consumer Connections and approximately 12km of OD160 – OD200 Tertiary Sewers to facilitate the Connections.

The works contract is under procurement

c. Construction Works for Transmission Line Gigiri- Karura transmission pipeline and North Nairobi Water and Sewerage Project

The **scope of works** involves

- ❖ Laying of **4.3km DN 1400mm** Gigiri reservoir to Karura reservoir water transmission pipeline;
- ❖ Laying of **4.7km, DN 600mm** off take pipeline along Kiambu Rd - Northern Bypass –Windsor
- ❖ Laying of **75Km DN 225mm to 450mm reticulation & tertiary sewer** and last mile connections for the areas of Northern parts of Zimmerman, Babadogo, Kasarani, Roysambu, Lucky summer, Thome, Garden Estate and Marurui with **approximate 2,792 new sewer household connections**

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The consultancy contract has been signed and the Consultant has submitted the Detailed Design reports and Tender Documents for the

d. Rehabilitation works within Central Region CBD/Industrial area/ Pumwani/ Starehe, Jogoo Rd, Ngara

The Consultancy for this project is ongoing.

The project entails;

❖ Rehabilitation of the water network in CBD/Industrial Area, Pumwani, Ngara, Starehe, Jogoo Rd, Embakasi and Viwandani areas for a total length of 136 km diameters ranging from DN 75mm to DN 400 mm and approximately 1,184 No. water connections

The consultant for this works component will be required to undertake a feasibility Study for the use of trenchless technology in undertaking the rehabilitation of water network within Central Nairobi areas.

COMPONENT 3 –WATER AND SANITATION INFORMAL AREAS INTERVENTIONS

The proposed works under this project are in line with the Water and Sanitation Services Strategy for Nairobi Informal Settlements and entails:

- ❖ Construction of integrated sanitation blocks and onsite toilets in the selected areas.
- ❖ Extension of sewers both conventional and simplified to support last mile household connectivity (This includes Connections for Type A, (Connection of Existing Water Borne On-site Sanitation Facilities to the Public Sewer Network (for plots with septic tanks, cess pits etc.)) and Connections for Type B (Upgrading of Existing Pit Latrines to a Water Borne System (Pour Flush/ Cistern) and Connection to the Sewer Network (for Plots with Pit latrines)) in accordance with the Connection strategy and the Water and Sanitation Services Strategy for Nairobi Informal Settlements .
- ❖ Construction of Pre-Paid Water Dispensers (PPDs) /Water ATMS.
- ❖ Extension of water distribution networks to the Informal settlements.
- ❖ Construction of household/communal Consumer Connections for both water and sewerage services in line with the Connection strategy.

The Target informal settlements include:

- (a) **Mji wa Huruma:** Water network to facilitate installation of Pre-Paid Dispensers (PPDs) and Chambers- with storage tanks and put up some sewer network to facilitate construction of sanitation blocks;
- (b) **Kirigu:** Water networks for individual connections and development of sewer Network;
- (c) **Motherland:** Water network to facilitate installation of Pre-Paid Dispensers (PPDs) and Chambers- with storage tank and put up some sewer network to facilitate construction of sanitation blocks;

- (d) **Matopeni:** Water network to facilitate installation of Pre-Paid Dispensers (PPDs) and Chambers-with storage tanks;
- (e) **Kamola:** Water network to facilitate installation of Pre-Paid Dispensers (PPDs) and Chambers-with storage tanks
- (f) **Kawangware Soko and 56-**Water and sewer networks with individual connections
- (g) **Big 4 IS interventions (Kiambiu, Mariguini, Kibera Zone C & D)-** Extension of the water and sewerage network to the Big 4 Agenda Priority informal settlements with individual connections.
- (h) **Special study for water and sanitation improvements to the Kibera Informal Settlement** as recommended by the Nairobi City Water Distribution Masterplan and the Integrated Sanitation Masterplan for Nairobi City and Satellite towns and any other relevant available documents. Kibera is one of Nairobi's largest informal settlement housings approximately 190,000 people (2019, Kenya Population and Housing Census).

The Consultancy is ongoing and the Consultant has submitted the conditional assessment report for existing water facilities

COMPONENT 4 – TECHNICAL ASSISTANCE (TA) AND NON-REVENUE WATER MANAGEMENT (NRWM)

The long-term building of the operator's capacity and fighting against non-revenue water for NCWSC shall comprise notably, but not limited to:

- i. Technical assistance and training in networks modelling and management of Non-Revenue Water (such training will also be opened to AWWDA staff);
- ii. The design and implementation of a remote management system to collect data and remotely control the main components of the network (reservoirs, main valves...);
- iii. The procurement of more than 4000 meters for connections, the supply and installation of main or sectoral meters;
- iv. The supply of Non-Revenue Water-related equipment (calibration bench for meters, leak detection equipment...).
- v. A tariff study to assist NCWSC towards the regulator;

NCWSC/AWWDA prepared a proposal for NRW intervention borrowing recommendations from Seureca report (2016).

The following proposed actions under this component are geared primarily towards the creation of an apparent loss reduction strategy, **reduction of Apparent (Commercial) losses by 20% from the current 31.1%:**

- ❖ A creation and implementation of an apparent loss control and reduction strategy, after a study of the effects of Meter Under Registration, Intermittent Water Supply, Water Theft, meter tampering and aging / water conditions acting on the meters in NCWSC.
- ❖ Changing high consuming customer meters to smart meters and replacing the faulty Production, Regional Boundary, Zonal and DMA Bulk Meters.

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- ❖ Operationalize the existing hydraulic model- Review adequacy of existing hydraulic modelling software, calibrate the model and support in renewal of licenses for its operational use.
- ❖ Review and rearrangement of the Pressure Zone Boundaries considering additional flows from ongoing interventions.
- ❖ Design of a SCADA System, installation of phase 1 sensors and related equipment.
- ❖ Training and capacity building of NCWSC and AWWDA Staff
- ❖ Procurement of NRW equipment
- ❖ Procurement of Assorted Pipes and Fittings.
- ❖ Develop and deploy a real loss documentation and analysis software for NCWSC.

The consultancy is under procurement.

STATUS OF PROCUREMENT OF THE GOODS

The goods are packaged into the following categories;

- i. Supply, Delivery and Installation of Water Meters (to be reviewed and finalized by TA consultant)
- ii. Supply, Delivery and Installation Non-Revenue Water Equipment in three lots: -
 - ❖ Lot 1 - Leak Detection Van
 - ❖ Lot 2 - NRW Tools including Leak detection tools, GPS mobile mapper, portable customer testing kits,
 - ❖ Lot 3 - Motor vehicles
- iii. Supply and Delivery of Assorted Pipes and Fittings
- iv. Supply, Delivery, Installation and Commissioning of SCADA Equipment (to be prepared by TA consultant).

All the goods contract has been awarded.

OTHER CONSULTANCY CONTRACTS – SPECIAL STUDY

a. Consultancy Services for Geotechnical investigations and Hydrogeological surveys for the underground water resources in Nairobi basin

The main objective of this project is to assess the current groundwater resource in Nairobi River Basin, study the characteristics of the current aquifer system and provide an institutional plan for future exploitation and development of ground water resources within Nairobi Basin.

This consultancy is under procurement.

b. Consultancy Services for Community Outreach and Implementation of Resettlement Action Plan (RAP) for NWSP

The Consultancy Contract signed on 24th May 2022 and commenced on 7th June 2022.

The main objective of this project is to roll out community outreach/campaigns to contribute to improved utilization of the water and sewerage infrastructure put in place by the Client

The scope under this consultancy contract entails;

- ❖ Community Outreach, Mobilization and Engagement to contribute to improved water and sanitation coverage & management within the proposed areas through connections to and utilization of the water and sewerage infrastructure put in place under the project.
- ❖ Review and Implementation of a Resettlement Action Plan (RAP) and Livelihood Restoration Plan (LRP) as may be applicable; and preparation and Implementation of the Projects RAP Grievance Redress Mechanism Framework.

c. Consultancy Services for Communication and Visibility for Nairobi Water Sanitation Project

The preparation of the communication and visibility consultant TOR has advanced. AWWDA is finalizing on its improvement.

2.9 Summary of Project Compliance:

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

3. Statement of Performance against Project Predetermined Objectives

Introduction

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

The goal of the project is to improve living conditions for the inhabitants of Nairobi by expanding water supply & sanitation reticulation networks within Nairobi.

The project's specific objectives are to:

- Improve access to drinking water for the inhabitants of Nairobi;
- Improve access to the sanitation network to reduce discharge of untreated effluents as well as health risks by laying of over 220 Km of tertiary and reticulation sewerage network
- Build the capacities of the Nairobi City Water and Sewerage Company (NCWSC), responsible for operating the works, in particular with regards to reduction in Non-Revenue Water.

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Construction of Eastern Nairobi Water and Sewerage Network Intensification Project	Reinforce and extend the water distribution networks and sewerage networks Eastern parts of Nairobi.	<ul style="list-style-type: none"> • Laying of approximately 220 Km water distribution network pipeline ranging from DN (600mm-25mm) in Embakasi East, water pipeline extensions for the North Eastern, Northern and Eastern parts of Nairobi and last mile connections in areas of Obama, Saika, Mwengenyie, Maili Saba, Kamiti Road, Mwiki Road, Lucky Summer, Umoja 3, Donholm, Njiru, Mutuini with approximate 1903 new water connections • Laying of sewer lines and sewer last mile connections, for the areas of Kariobangi North & 	% Increase in water and sanitation coverage in Nairobi.	Works are yet to commence

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Project	Objective	Outcome	Indicator	Performance
		<p>South, Marura, Umoja III/Riverbank, Maili Saba, Umoja Innercore, Embakasi, Mihango, and Plot 10 areas for an approximate length of 47 Km with approximate 1405 new connections.</p>		
<p>Construction of Kabete Olesereni, West and South Nairobi Water and Sewerage Project</p>	<p>Reinforce and extend the water distribution networks and sewerage networks West and South Nairobi</p>	<ul style="list-style-type: none"> • Construction of the Kabete-Olesereni Pipeline, DN 600 Ferrous (Steel or Ductile Iron) Pipeline, length 19.6 km • Construction of Water Distribution Pipelines, HDPE and Ferrous (Steel or Ductile Iron Pipeline) size 63mm to 600mm diameter, total length 57 km in Kangemi, Dagoretti- Kinoo, Kawangware, Wilson Airport Area, Kabiria, Ngong Forest, Karen Plains and Kirigu areas, including approximately 560Nr Consumer Connections and approximately 10km of OD 20 - OD 32 Service Mains to facilitate the Connections. • Construction of 1Nr Reinforced Concrete Water Storage Tank at Karen, capacity 5,500m³. • Construction of Reticulation Sewers, OD 200 to OD 300 Double Wall Corrugated (DWC) Pipes, approximate total length 63 km in Dagoretti, Ngando, Riruta, Kawangware, Kangemi and Uthiru areas, including approximately 640Nr Consumer Connections and approximately 12km of OD160 – OD200 Tertiary Sewers to facilitate the Connections. 	<p>% Increase in water and sanitation coverage in Nairobi.</p>	<p>Works are yet to commence</p>

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Project	Objective	Outcome	Indicator	Performance
Construction Works for Transmission Line Gigiri-Karura transmission pipeline and North Nairobi Water and Sewerage Project	Reinforce and extend the water distribution networks and sewerage networks Gigiri-Karura transmission pipeline and North Nairobi Water and Sewerage Project	<ul style="list-style-type: none"> • Laying of 4.3km DN 1400mm Gigiri reservoir to Karura reservoir water transmission pipeline; • Laying of 4.7km, DN 600mm off take pipeline along Kiambu Rd - Northern Bypass –Windsor; • Laying of 75Km DN 225mm to 450mm reticulation & tertiary sewer and last mile connections for the areas of Northern parts of Zimmerman, Babadogo, Kasarani, Roysambu, Lucky summer, Thome, Garden Estate and Marurui with approximate 2,792 new sewer household connections 	% Increase in water and sanitation coverage in Nairobi.	Works are yet to commence
Rehabilitation works within Central Region CBD/Industrial area/ Pumwani/ Starehe, Jogoo Rd, Ngara	Reinforce and extend the water distribution networks and sewerage networks Central Region CBD/Industrial area/ Pumwani/ Starehe, Jogoo Rd, Ngara	<ul style="list-style-type: none"> • Rehabilitation of the water network in CBD/Industrial Area, Pumwani, Ngara, Starehe, Jogoo Rd, Embakasi and Viwandani areas for a total length of 136 km diameters ranging from DN 75mm to DN 400 mm and approximately 1,184 No. water connections 	% Increase in water and sanitation coverage in Nairobi.	Works are yet to commence

4. Environmental and Sustainability reporting

Introduction

Environmental and Social Sustainability refers to concerted efforts to mitigate against environmental degradation and social impacts. It is the maintenance of the factors and practices that contribute to the quality of the environment on a long-term basis as well acceptable social norms over the long term. It is also defined as the ethical obligation of companies/organizations to protect natural resources, reduce pollution and other forms of environmental harm.

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

As such, Athi Water Works Development Agency (AWWDA) a state corporation established by the Water Act 2016 under the Ministry of Water, Sanitation and Irrigation covering Nairobi City County, Kiambu County and Murang'a County. Its key responsibility as defined by the Water Act 2016 is to;

- 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 discharging of his or her functions under the Water Act 2016.

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

It is committed to environmental conservation and protection as well as safeguarding the health and safety of workers within its premises, projects and project areas. Through the integrated Environment, Health and Safety policy statement, the organization commits to protecting the environment, preserving the health and safety of employees and communities, and ensuring safe development of water and sanitation infrastructure within the Institution's area of jurisdiction.

4.1 Sustainability strategy and profile

In performing her mandate, Athi Water is committed to perform ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. AWWDA undertakes to conduct business in a way which will achieve sustainable growth, in line with legal and moral obligations. We aim to achieve our business objectives in a caring and responsible manner taking into account economic, social and environmental impacts.

4.2 Environmental performance

Introduction

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

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

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

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

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

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

Pollution Prevention and Abatement

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

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

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

Climate Change Mitigation and adaptation

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

- I. Projects such as the Rehabilitation of Dandora sewerage treatment plant is aimed at improving efficiency by reducing the amount of GHG emission into the atmosphere. Efforts are also being directed towards exploring the possibility of trapping methane gas generated from the sewerage treatment plants for energy use.
- II. Oloitoktok Water Supply project is another project that aims at mitigating climate change by utilizing solar energy in its day-to-day operations, therefore complying with the renewable energy Act, 2019.
- III. AWWDA is also implementing large and medium dams to provide water storage thereby providing adaptation measures to water scarcity resulting from climate change.
- IV. Water conservation through the use of water storage tanks- The organization has donated plenty of water tanks to community projects and schools.
- V. Waste water reuse and recycling-This involves treating of waste water and directing it to rivers. Community members are able to use the water for various purposes such as irrigation.

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- VI. Flood management- Projects such as NCT have been constructed to collect flood water. Therefore increasing the availability and quantity of clean drinking water.
- VII. Tree planting- The agency has carried out various tree planting exercises as a climate change adaption measure to act as carbon sinks.

Promoting Environmental protection and conservation through partnerships with stakeholders

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

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

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

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

Table 1: Tree planting exercise FY 2022-2023

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

Social economic activities

Socio-economic impact assessment

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

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

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

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

Other social sustainability activities include:

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

Environmental monitoring and reporting

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

i. EHS committees, inspections and audits

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

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

ii. Environmental and social sustainability management systems

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

iii. Environmental and Social Management Plans

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

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

iv. Health and Safety Management Plans

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

v. Grievance redress mechanism

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

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

vi. Gender Mainstreaming

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

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

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

vii. Prevention of gender-based violence

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

Conclusion

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

4.3 Employee welfare

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

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

It generally guides the implementation of the policies and decision making at various levels within the Agency on matters human capital. The policy provision covers the entire recruitment process, pay and benefits, employee relations, performance management, training & development and the health and safety issues. In consideration of the affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalized communities in all aspects of human resources dynamics.

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

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

4.4 Market place practices-

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

a) Responsible Supply chain and supplier relations-

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

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

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

b) Responsible ethical practices

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

1. Code of Conduct and Ethics: The Agency has established a comprehensive code of conduct that clearly outlines the expected behaviour of all staff in the institution and for Supply Chain Management staff the practising license issued by KISM explicitly prohibits corrupt practices, bribery, and unethical behaviour and ensures compliance by all stakeholders. The license also ensures that the supply chain staff are in good standing prior to renewal.
2. Compliance Reports: The Agency Prepares statutory compliance reports to the Various Regulatory Bodies i.e., PPRA, NT, and EACC and reports all the awarded contracts through the PPIP Portal (Public Procurement and Information Portal) which is accessible by the public with disclosures of Beneficial Ownership Information for all awarded contracts.

3. **Anti-Corruption Policies:** The Agency implements policies to prevent corruption, such as anti-bribery and anti-money laundering policies. These programs include training on anti-corruption measures and responsible political involvement which is a continuous exercise.

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

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

c) Regulatory impact assessment

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

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

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

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

4. **Clear and Comprehensive Advertisements** - The Agency places its adverts for opportunities in the print media and its websites as well as the Public Procurement website (www.tenders.go.ke) which are

based on accurate and verifiable information about the projects being implemented by the Agency, this is in line with provisions of section 74 of the PPAD Act and its attendant regulations. The Adverts are also detailed and clearly indicate the contact details for purposes of clarification and the mode of submission of tenders by specifying whether the submission shall be done electronically or manually. Adverts relating to preference and reservations scheme state that such tenders are reserved specifically for small and micro enterprises and for disadvantaged groups registered with the National Treasury or regions, as appropriate. By publishing most opportunities this enhances competition and ensures value for money in the procurement processes.

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

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

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

4.5 Community Engagements

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

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5. Statement of Project Management responsibilities

The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for Nairobi Water and Sanitation Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial period ended on June 30, 2023. 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 Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Water and Sanitation Project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Water and Sanitation Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial period ended June 30, 2023, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator Nairobi Water and Sanitation Project further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Water and Sanitation Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

The Project financial statements were approved by the Chief Executive Officer Athi Water Works Development Agency and the Project Coordinator for Nairobi Water and Sanitation Project on 31st August, 2023 and signed by them.



Chief Executive Officer
Eng. Michael M. Thuita, MBS



Project Coordinator
Eng. Joseph Kamau

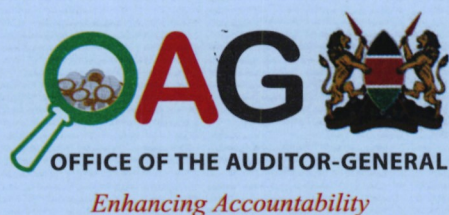


Manager Finance & Accounting
CPA, Dr. Christine Mawia Julius
ICPAK No: 6458

Nairobi Water and Sanitation Project (Credit No CKE 1135)
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REPORT OF THE AUDITOR-GENERAL ON NAIROBI WATER AND SANITATION PROJECT (CREDIT NO. CKE113501H) FOR THE YEAR ENDED 30 JUNE, 2023 - ATHI WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nairobi Water and Sanitation Project (Credit No. CKE113501H) set out on pages 1 to 16, which comprise the statement

of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of 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 Nairobi Water and Sanitation Project (Credit No: CKE113501H) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Credit Financing Agreement No. CKE 1135 01H dated 02 March, 2020 between the Agence Francaise De Development (AFD) and the Republic of Kenya and the Public Finance Management Act, 2012.

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Variance Between the Financial Statements and the Ledger

The statement of receipts and payments reflects acquisition of non-financial assets amount of Kshs.134,327,477 which as disclosed in Note 8 to the financial statements includes Kshs.50,569,054 in respect of consultancy services for Kabete, Olesereni, West and South Nairobi water and sewerage project. The payments to a contractor during the year, totalling Kshs.7,374,863 were however, reflected in the ledger as Kshs.6,357,640, resulting to an unexplained variance of Kshs.1,017,223 and understatement of the expenditure.

1.2 Variance Between the Statement of Comparison of Budget and Actual Amounts and the Approved Budget Amounts

The statement of comparison of budget and actual amounts reflects loans and grants final budget of Kshs.1,330,000,000 for the year ended 30 June, 2023. The approved budget however, reflects approved amount of Kshs.1,317,500,000 resulting in an unexplained and unreconciled variance of Kshs.12,500,000.

In the circumstances, the accuracy and completeness of the amount reflected in the statement of comparison of budget and actual amounts could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi Water and Sanitation Project - Credit No. CKE113501H Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with

other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budget and actual receipts amounts on comparable basis of Kshs.1,330,000,000 and Kshs.337,392,995 respectively, resulting in a revenue shortfall of Kshs.992,607,005 or 74.6% of the budget. Similarly, the statement reflects budget and actual expenditures amounts on comparable basis of Kshs.1,330,000,000 and Kshs.213,997,744 respectively resulting in under expenditure of Kshs.1,116,002,256 or 84% of the budget.

The underfunding and under-expenditure affected the planned activities and programs and impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Remit Statutory Taxes

During the year under review, the Management paid Kshs.6.578,165 to two firms for consultancy services for Kabete Olesereni, West and South Nairobi Water and Sewerage components of the Project. Review of the records revealed that, withholding tax of Kshs.259,642 in respect of the payments made had not been remitted to the Commissioner of Domestic Taxes on due date contrary to Section (5)(a) of Income Tax Act CAP 470.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the provisions of the Facility Financing Agreement No. CKE 113501H dated 02 March, 2020 between the Agence Francaise De Development (AFD) and the Republic of Kenya, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

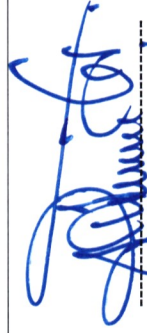
Nairobi

24 November, 2023

Nairobi Water and Sanitation Project (Credit No CKE 1135)
 Reports and Financial Statements
 For the year ending June 30, 2023

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

	Notes	Receipts and payments controlled by the Entity (Kshs)	Payments made by Third Parties (Kshs)	Total (Kshs)	Cumulative to date
RECEIPTS					
Receipts from Government of Kenya	1	50,000	-	50,000	50,000
Proceeds from Domestic and Foreign Grants	2	-	-	-	-
Loan from External Development Partners	3	337,342,995	-	337,342,995	337,342,995
Miscellaneous receipts		-	-	-	-
TOTAL RECEIPTS		337,392,995	-	337,392,995	337,392,995
Less: Payments/Expenditure by category					
Purchase of Goods and Services	6	70,460,294	-	70,460,294	70,460,294
Acquisition of Non-Financial Assets	8	134,327,477	-	134,327,477	134,327,477
Other Grants and Transfers and Payments	10	9,209,973	-	9,209,973	9,209,973
TOTAL PAYMENTS		213,997,744	-	213,997,744	213,997,744
SURPLUS/DEFICIT		123,395,251	-	123,395,251	123,395,251



Chief Executive Officer
 Eng. Michael M. Thuita, MBS



Project Coordinator
 Eng. Joseph Kamau



Manager Finance & Accounts
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458

Nairobi Water and Sanitation Project (Credit No CKE 1135)
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8. Statement of Financial Assets as at 30th June, 2023

		2022/2023	2021/2022
FINANCIAL ASSETS	Note		Kshs
Cash and Cash equivalents			
Bank balances	11. A	123,395,251	
cash balances	11. B		-
Cash Equivalents (Short-term deposits)	11. C		-
Total Cash and Cash Equivalents		123,395,251	-
Accounts receivables -Imprest and Advances	12		-
TOTAL FINANCIAL ASSETS		123,395,251	-
Payables -Deposits and Retentions	13		-
NET ASSETS		123,395,251	
REPRESENTED BY:			
Fund balance b/fwd	14	-	-
Prior Year Adjustments	15	-	-
Surplus/Deficit for the period		123,395,251	-
NET FINANCIAL POSITION		123,395,251	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 31st August, 2023 and signed by:



Chief Executive Officer
 Eng. Michael M. Thuita, MBS



Project Coordinator
 Eng. Joseph Kamau



Manager Finance & Accounts
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458

Nairobi Water and Sanitation Project (Credit No CKE 1135)
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For the year ending June 30, 2023

9. Statement of Cashflow for the year ended 30th June 2023

		2022/2023
Receipts from operating activities		
Transfer from Government entities	1	50,000
Proceeds from domestic and foreign grants	2	
Miscellaneous receipts	4	
Subtotal		50,000
Payments for operating activities		
Compensation of employees	5	
Purchase of Goods and Services	6	-70,460,294
Social security benefits	7	
Transfers to other government entities	9	
Other grants and transfers	10	-9,209,973
Adjustment during the year		
Decrease/(Increase) in Accounts Receivable: Outstanding Imprest	15	
Decrease/(Increase) in Accounts Payable: (Deposit and retention)	16	
Prior Year Adjustments	17	
Subtotal		-79,620,267
Net cash flow from operating activities		-79,570,267
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets	8	-134,327,477
Net cash flows from Investing Activities		134,327,477
CASHFLOW FROM BORROWING ACTIVITIES		
Proceeds from Foreign Borrowings	3	337,342,995
Net cash flow from financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENT		123,395,251
Cash and cash equivalent at BEGINNING of the year	11	-
Cash and cash equivalent at END of the year		123,395,251

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 31st August, 2023 and signed by:



Chief Executive Officer
 Eng. Michael M. Thuita, MBS



Project Coordinator
 Eng. Joseph Kamau



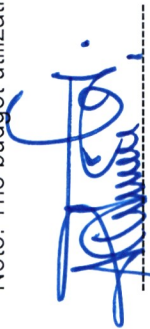
Manager Finance & Accounts
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458


Nairobi Water and Sanitation Project (Credit No CKE 1135)
 Reports and Financial Statements
 For the year ending June 30, 2023


10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Variance e=c-d	% of Variance f=e/c %
Receipts						
Proceeds from borrowings	1,330,000,000	-	1,330,000,000	337,342,995	992,657,005	75%
Miscellaneous receipts	50,000	-	50,000	50,000	0	0%
Fund Balance B/F	-	-	-	-	-	0%
Total Receipts	1,330,050,000	-	1,330,050,000	337,392,995	992,657,005	75%
Payments						
Goods and Services	90,000,000	-	90,000,000	70,460,294	19,539,706	22%
Acquisition of Non-Financial Assets	1,230,000,000	-	1,230,000,000	134,327,477	1,095,672,523	89%
Other Grants and Transfers and Payments	10,050,000	-	10,050,000	9,209,973	840,027	8%
Total Payments	1,330,050,000	-	1,330,050,000	213,997,744	1,116,052,256	84%
Surplus/Deficit				123,395,251	-123,395,251	

Note: The budget utilization/Performance differences are explained in Annex 2 of the financial statements.


 Chief Executive Officer
 Eng. Michael M. Thuita, MBS


 Project Coordinator
 Eng. Joseph Kamau


 Manager, Finance & Accounts
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the Support to Water and Sanitation Services in Peri-Urban Area Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

c) Reporting currency

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

d) Recognition of receipts

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

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation to employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

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

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

f) In-kind donations

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

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Restriction on cash

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

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

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

Annex 6 of this financial statement is a register of the contingent liabilities in the year.

k) 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.

l) Pending bills

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

m) Budget

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

n) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. And are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, there were no receipts in form of direct payments from third parties.

o) Exchange rate differences

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

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note xx of these financial statements*

12. Notes to the Financial Statements

1. Transfers from Government entities

The project received Kshs. 50,000 to assist in the operationalization of the project bank account.

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30th June 2023, no grants were received from donors as detailed in the table below.

3. Loan from External Development Partners

During the financial period to 30th June 2023, we received funding from development partner in form of loans negotiated by the National Treasury as detailed in the table below

Name of Donor	Date received	2022/2023				2021/2022		Cumulative to date
		Amount received in donor currency	Loan received in cash	Loan received as direct payment*	Loan received in kind	Total amount	Total amount	
Loan received from AFD		Euro 3,000,000	Kshs 337,342,995	Kshs -	Kshs -	Kshs 337,342,995	Kshs -	Kshs 337,342,995
TOTAL		3,000,000	337,342,995	-	-	337,342,995	-	337,342,995

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4. Miscellaneous Receipts

There were no miscellaneous receipts during the year

5. Compensation to Employees

There was no compensation of Employee payment made through the project during the year.

1. Purchase of Goods and Services

SCOPE OF WORKS	2022/2023			2021/2022	Cumulative to date
	Payment Controlled by the Entity	Payment Controlled by the Third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Purchase of Goods	70,460,294	-	70,460,294	-	70,460,294
TOTAL	70,460,294	-	70,460,294	-	70,460,294

7. Social Security Benefit

The project didn't make payment related to social security benefits during the year

8. Acquisition of Non-Financial Assets

SCOPE OF WORKS	2022/2023		2021/2022	Cumulative todate
	Payment controlled by the entity KSH	Payment controlled by the third party KSH		
Consultancy services for project community outreach & implementation of RAP for Nairobi water and Sanitation project	11,837,220			11,837,220
Consultancy services for detailed design, review, RAP Implementation & Construction Supervision for Eastern Nairobi Water & Sewerage Network Intensification project	37,430,560			37,430,560
Consultancy Services for Kabete Olesereni, west & south Nairobi water and sewerage project	50,569,054			50,569,054
Consultancy Services for Detailed Design and Construction supervision for Rehabilitation works within Central Region CBD/Industrial area/ Pumwani/ Starehe, Jogoo Rd, Ngara	34,490,643			34,490,643
Total	134,327,477	-	-	134,327,477

{N.B the civil works plus all the related consultancies are considered assets}

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9. Transfers to Other Government Entities

Under this project we did not have any transfers to other government agencies during the financial year

10. Other Grants and Transfer and Payments

Item description	2022/2023			2021/2022	Cumulative to date
	Payment Controlled by the Entity	Payment Controlled by the Third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Bank Charges	72,071	-	72,071	-	72,071
Training	9,137,902	-	9,137,902	-	9,137,902
TOTAL	9,209,973	-	9,209,973	-	9,209,973

11. Cash and Cash equivalents

DESCRIPTION	2022/2023	2021/2022
	Kshs	Kshs
Bank accounts (Note 8.13A)	123,395,251	-
Cash in Hand (Note 8.13B)		
Cash equivalents (short term deposits) (Note 8.13C)		
Total	123,395,251	-

11 A. Bank Account

Project Bank Accounts

	2022/2023	2021/2022
	Kshs	Kshs
Foreign Currency Accounts		
N/A	-	-
Total Foreign Currency balances	=	=
Local Currency Accounts		
Kenya Commercial Bank (A/c No 1279693258)	123,395,251	-
Total local currency balances	123,395,251	-
Total bank account balances	123,395,251	-

11 B Cash in hand

The project did not have any cash in hand as at 30th June 2023

Nairobi Water and Sanitation Project (Credit No CKE 1135)
Reports and Financial Statements
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11C Cash equivalents (short term deposits)

The project didn't have any short-term deposits as at 30th June 2023

13. Imprests and Advances

The project did not have any Accounts Receivable as at 30th June 2023

13. Deposits and Retention monies

The project did not have any Accounts Payable as at 30th June 2023

14. Fund Balance Brought Forward

DESCRIPTION	2022/2023 KSH	2021/2022 KSH
Bank Accounts	-	-
Cash in Hand	-	--
Cash Equivalent (short-term deposits)	-	-
Outstanding imp rest and advances	-	-
Total	-	-

15. Prior Year Adjustment

There were no prior year Adjustments during the year ending 30th June 2023

16. Change in Imprests and Advances

No change in imprests and advances

17. Change in Accounts Deposits and Retentions

No change in accounts deposits and retentions

Other Important Disclosures

1. Pending Accounts Payables

There were no pending Account Payables

2. Pending Staff payables

There were no pending staff payables under the project

3. Other Pending payables

Other pending payables was Ksh 259,642 in respect of payments of withholding tax payable to Kenya Revenue Authority.

4. External Assistance

There were no External Assistance received under the project

5. Payments By Third party on Behalf of The Project

There were no payments by third party on behalf of the project.

6. Related Party Disclosures

There are no related party disclosures

7. Contingent Liabilities

There were no Contingent liabilities under the project

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

The project is reporting for the first time hence it does not have prior audit issues

Nairobi Water and Sanitation Project (Credit No CKE 1135)
 Reports and Financial Statements
 For the year ending June 30, 2023

Annex 2: Variance Explanations –Comparative Budget and Actual amounts for FY 2022-2023

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Variance e=c-d	% of Variance f=e/c %	Explanation
Receipts							
Proceeds from borrowings	1,330,000,000	-	1,330,000,000	337,342,995	992,657,005	75%	Delay in procurement of works contract as AFD took long to give a No Objection for the Bid documents
Miscellaneous receipts	50,000	-	50,000	50000	0	0%	
Fund Balance B/F	-	-	-	-	-	0%	
Total Receipts	1,330,050,000	-	1,330,050,000	337,392,995	992,657,005	75%	
Payments							
Goods and Services	90,000,000	-	90,000,000	70,460,294	19,539,706	22%	Delay in getting VAT Exemption from National Treasury
Acquisition of Non-Financial Assets	1,230,000,000	-	1,230,000,000	134,327,477	1,095,672,523	89%	Delay in procurement of works contract as AFD took long to give a No Objection for the Bid documents
Other Grants and Transfers and Payments	10,050,000	-	10,050,000	9,209,973	840,027	8%	Within budget
Total Payments	1,330,050,000	-	1,330,050,000	213,997,744	1,116,052,256	84%	
Surplus/Deficit	-	-	-	123,395,251	-123,395,251		

Annex 4a-Analysis of Pending Bills

N/A

Annex 4c-Analysis of Pending Bills

Other pending payables was Ksh 259,642 in respect of payments of withholding tax to be remitted to Kenya Revenue Authority.

Annex 5 – Summary of Fixed Asset Register

Asset Class	Opening Cost 2022/2023(Kshs)	Purchase /Additions in the year 2022/2023 (Kshs)	Disposal in the year 2022/2023 (Kshs)	Transfers in/(out) 2022/2023 (Kshs)	Closing Cost 2022/2023 (Kshs)
	a	b	c	d	e=a+b-©+(-)d
Work in Progress	-	134,327,477			134,327,477