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THE AUDITOR-GENERAL

ON

**KENYA URBAN WATER AND SANITATION OBA
PROJECT FUND FOR LOW INCOME AREAS**

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

WATER SECTOR TRUST FUND



**MINISTRY OF WATER,
SANITATION AND IRRIGATION**



WaterFund

Financing the Water Sector

WATER SECTOR TRUST FUND

**KENYA URBAN WATER AND SANITATION (KUWAS)
OBA PROJECT FUND FOR LOW INCOME AREAS P132979**

IMPLEMENTED BY WATER SECTOR TRUST FUND (WSTF)

PROJECT GRANT/CREDIT NUMBER TF 016395-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Kenya Urban Water and Sanitation (KUWAS) OBA Project Fund for Low Income Areas,

Objective: The key objective of the project is to increase the number of people in low income areas with access to improved water supply and sanitation services in Kenyan towns and cities.

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

The address of its registered office is:

CIC Plaza Mara Road
 PO Box 49699-00100
 Nairobi, Kenya
 Tel: 254-20-272 0696

Contacts: The following are the project contacts

Telephone: 254-20-272 0696
 E-mail: ismail.shaiye@waterfund.go.ke
 Website: www.waterfund.go.ke

1.2 Project Information

Project Start Date:	01/12/2014
Project End Date:	30/11/2020
Project Manager:	Fidelis Tamangani
Project Sponsor:	World Bank

1.3 Project Overview

Line Ministry/State Department of the project	Ministry of Water and Sanitation.
Project number	TF 016395-KE
Strategic goals of the project	The objective of the program is to improve the operating efficiency and financial performance of WSPs, and to extend access to unserved consumers. Once the projects are complete and pre-agreed targets set for the project have been achieved, the WSPs will be eligible for up to 60 percent subsidy of the

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	<p>commercial loans borrowed. The subsidies are disbursed towards partial loan repayment.</p> <p>In recognition of the need to reduce grant financing for commercially viable water utilities and in order to introduce a new business model to water financing, the Result Based Financing (RBF) programme is supporting water utilities that are investing in water supply and sanitation improvement projects in the low-income and underserved rural and urban areas in Kenya. The Water Service Providers (WSPs) are able to leverage loans from local financing institutions, which are then subsidised at a percentage of the project cost on attainment of agreed deliverables.</p>
<p>Achievement of strategic goals</p>	<p>The projects to be implemented by the water utilities are pre-financed with commercial loans from domestic lenders in Kenya on market terms for construction of water supply and sanitation services infrastructure. The loans will support investments linked to the following:</p> <ul style="list-style-type: none"> • Construction/expansion of water and sewer networks to reach unserved consumers; • Rehabilitation/improvement of existing networks e.g. the non-revenue water reduction programme; • Water and/or sewer connections to households and public points; and • Water and sewer treatment facilities. <p>After completion of their projects, the water utilities are incentivised through applying one-off subsidies provided under the RBF sub-programmes for up to 60%.</p> <p>To facilitate the uptake of the RBF subsidies, the water utilities' projects are pre-financed with commercial loans from local lenders. The RBF programme is currently working with four commercial banks, namely Sidian Bank, Kenya Commercial Bank (KCB), Co-operative Bank and Housing Finance, which have access to a 50% guarantee provided by USAID. Other banks, including Equity Bank, Family Bank, CBA and ABC Bank, have also been approached by the Water Fund and have shown interest in financing the water utilities under the programme.</p>

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Other important background information of the project	<p>The Results-Based Financing (RBF) investment programme is a commercial financing facility that became operational in WSTF in December 2014 after the Government of Kenya signed a Grant Subsidiary Agreement with the German Development Bank (KfW) and the World Bank. The Swedish International Development Agency (SIDA) provided a grant for 11.835 million USD through the World Bank Output-Based Aid (OBA) project.</p> <p>Over the last few years, Kenya has been classified as lower middle income country. This comes with the consequences reduced support and official development assistance. This has precipitated the dwindling resources in the water sector against the need for increased water and sanitation access. The foregoing background therefore calls for innovative financing to meet the needs in the sector. As a result, the World Bank having piloted the programme initially scaled it up starting 2014 with WSTF identified as the Executing Agency. The programme targeted the most vulnerable residents of low income areas of urban cities, towns as well as peri-urban areas. The programme therefore mobilized resources and implemented 10 projects that are addressing sanitation and water challenges.</p>
Current situation that the project was formed to intervene	<p>The program has also disbursed subsidies to the five projects for those that are ongoing and those fully completed totalling KShs. 160.89 million by 30 June 2019. An additional 9 water utilities are currently accessing technical assistance funding in excess of KShs. 35 million for project proposal development, after which they will be eligible to access commercial loans from local lenders. The 9 projects are estimated to cost in excess of KShs. 1.5 billion and will access subsidies of over KShs. 850 million after fully achieving the pre-agreed targets.</p> <p>The RBF program has reached out to a total of 11,172 households or 54,573 people in low income areas with improved water and sanitation services. The primary beneficiaries reached are categorized as 66,735 people accessing individual water connections, 6,578 people accessing water kiosks and 420 people accessing yard taps. The program is targeting to reach at least 120,000 people with access to clean water and sanitation services by 30 November 2020.</p>
Project duration	The project started on 1st December 2014 and is expected to run until 31 March 2021.

1.4 Bankers

National Bank of Kenya
National Bank Building Harambee Avenue, Nairobi
P.O BOX 72866-00200
Nairobi

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1.5 Auditors

Office of the Auditor General.
 Anniversary Towers, University Way
 P.O. Box 30084 0100
 Nairobi.

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Fidelis Tamangani	Programme Manager	Masters in Business Administration, Bachelor of Science Natural Resources Management & Agriculture;	<ul style="list-style-type: none"> • Baseline Study & Reporting • Verification of Satisfactory Provision of Outputs • Assess compliance with project rules and procurement and safeguards requirements • Preparation of Outputs Verification Report
Paniel Nyaga	Senior Procurement Officer	Post Graduate Diploma – Purchasing and Supplies MSC Procurement and Logistics Bachelor of Commerce - Marketing	<ul style="list-style-type: none"> • Support Project Procurement Processes
Mathew Karanja	Senior Finance Officer	Certified Public Accountant (CPA - K) Masters in Project Planning and Management Bachelor of Commerce, Finance	<ul style="list-style-type: none"> • Preparation of project financial statements and reporting.

1.7 Funding summary

The Project is for duration of 6 years from 2014 to November 2020 with an approved budget of US\$ 11.835 equivalent to KShs 1,183,500,000 as highlighted in the table below:

Below is the funding summary:

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Source of funds	Donor Commitment-		Amount received to date – (30.06.2020)		Undrawn balance to date (30.06.2020)	
	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
World Bank	11,835,000	1,183,500,000	6,462,345	607,776,950	5,372,655	575,723,050
Total	11,835,000	1,183,500,000	6,462,345	607,776,950	5,372,655	575,723,050

1.8 Summary of Overall Project Performance:

Since inception of the program in December 2014, the OBA program has supported nine (9) water and sanitation improvement projects valued at KShs. 1.27 billion. A total of 14 WSP have accessed technical assistance funding amounting to Kshs. 66.96 million for the development of bankable proposals and projects supervision by June 30, 2019. Out of the 14 projects, 9 viable projects have a loan portfolio valued at Kshs. 1.27 billion. The loans are disbursed through four commercial banks namely Sidian bank (Kshs. 224 million), Co-op bank (Kshs. 935 million), Family bank (Kshs. 109 million).

Summary of Overall Project Performance (continued)

The program has also disbursed subsidies for completed and on-going projects worth Kshs. 332 million as at June 30, 2019. Four out of the nine financed projects have been completed and have accessed the full RBF subsidies valued at Kshs. 159 million. The on-going five projects, have also received partial advance subsidy disbursements totalling to Kshs. 172 million. The five projects are expected to be fully completed by November 30, 2020 and will access additional subsidies for Kshs. 525 million.

The OBA program has to date benefited a total of 11,172 low income households or 54,573 people with access to clean water. By November 2020, the projects are expected to have reached out to 120,500 people or 24,100 households accessing clean water supply and sanitation services.

1.9 Summary of Project Compliance:

The project is in compliance with the financing agreement, country laws and regulations. There were no instances of non-compliance during the period.

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2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

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 project development objective (PDO) is to increase the number of people in low income areas with access to improved water supply and sanitation services. The primary beneficiaries of the OBA Fund are 120,500 residents of low income areas who are gaining access to water and sanitation services through individual water and sewerage connections, public water and or public sanitation services (water kiosks and public toilets) constructed near or within their areas of residence.

Output indicator	Output Target	Number of people targeted
Number of water connections made under the project	14500	72,500
Number of community water points	40	8,500
Number of sewer connections made under the project	7,906	39,500

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:

WSPs	Househol Connections achieved	Beneficiaries @ 4 to 5 people/HH	Public Water Kiosks achieved	Beneficiaries @ 268 people/kiosks	Yard taps achieved	Beneficiaries @ 60 people/yard tap
Water projects						
Murang'a South I	2,310	11,550	14	4,004	7	420
Murang'a Town	1,285	5,140	1	286		
Nol Turesh	4,009	20,045	8	2,288		
Naivasha	1,596	7,980	10	2,860		
Murang'a South II	3,031	15,155		-		
Mathira	1,417	7,085		-		
Kisumu	1,345	6,725		-		
Subtotal	14,993	73,680	33	9,438	7	420
Sewer projects						
Nyeri	2,963	14,815		-		
Embu	4,186	20,930		-		
Subtotal	7,149	35,745	-	-	-	-

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

The implemented water supply and sanitation improvement subprojects are assessed on their operational performance through a sustainability test. This is done by reviewing data of at least 80% of the households connected due to the subprojects, which may include:- a) bills issued for services provided and b) the amount paid for the bill, on time.

The aim is to determine if the beneficiaries are accessing the service, that water supply or sanitation services are reaching them. The ability to pay for the water bill and well as the sewerage bill is assessed for profitability check of the WSPs. Since the WSPs are pre-financed by the commercial banks, the sustainability test is also to verify if the WSPs are collecting enough revenue to be able to repay 40% of the loan after the full payment of the 60% OBA subsidy.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The WSTF management are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes:

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

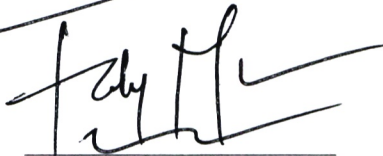
WSTF Management accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

Management are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2020, and of the Project's financial position as at that date. Management 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.

Management confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

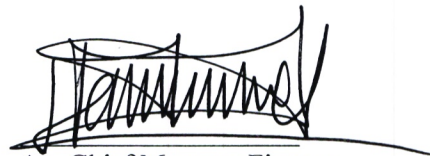
The Project financial statements were approved by the *Chief Executive Officer, Project Manager* and the *Acting Chief Manager Finance* for Kenya Urban Water and Sanitation (KUWAS) OBA project on 18 November 2020 and signed by them.



Chief Executive Officer
Ismail Fahmy M. Shaiye



Project Manager
Fidelis Tamangani



Ag. Chief Manager Finance
Samwel Gitau Mbugua
ICPAK Member Number: 2868

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA URBAN WATER AND SANITATION OBA PROJECT FUND FOR LOW INCOME AREAS FOR THE YEAR ENDED 30 JUNE, 2020 - WATER SECTOR TRUST FUND

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Urban Water and Sanitation OBA Project Fund for Low Income Areas set out on pages 1 to 19, which comprise the statement of financial assets as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows and statement of comparative 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, the financial statements present fairly, in all material respects, the financial position of Kenya Urban Water and Sanitation OBA Project Fund for Low Income Areas as at 30 June, 2020, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and Financing Agreement No.TF016395-KE between International Development Association and the Republic of Kenya dated 5 September, 2014.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Urban Water and Sanitation OBA Project Fund for Low Income Areas 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 audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.433,000,000 and Kshs.209,801,523 respectively resulting to an under-funding of Kshs.233,198,477 or 53% of the budget. Similarly, the Project performance was limited to the receipts realized and therefore spent an amount of Kshs.211,084,205 or 48% out of the approved budget of Kshs.433,000,000. The underfunding affected the planned activities which in turn may have 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 matter 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

Irregular Award of Contract by Kisumu Water and Sewerage Company

As disclosed in Note 10.6 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.170,531,079 under other grants, transfers and payments which includes an amount of Kshs.30,566,687 subsidy payment to Kisumu Water and Sewerage Company Limited, a water service provider. A review of utilization of the transfer of subsidies at the water service provider revealed flaws in the procurement process as detailed in ensuing paragraphs.

Kisumu Water and Sewerage Company Limited contracted a construction firm on 25 July, 2017 to undertake construction works of a water supply pipeline and water reservoirs at a cost of Kshs.98,186,004 vide tender No.KWS/01/RBW/2016-2017 for a contract period of one (1) year subsidized by the Project. However, review of the procurement process leading to the award of the contract revealed that the winning bidder had not met requirements set out in the tender documents for award of the contract as follows: -

- (i) Criteria No.3 required the bidder to demonstrate access to or have available liquid assets, unencumbered real assets, and a line of credit sufficient to meet the construction cash flow requirement estimated at Kshs.50,000,000 net of the

bidder's other commitments. However, the awarded bidder did not attach line of credit from any bank despite having attached financial statements showing net cash outflows of Kshs.31,220,001, Kshs.35,410,342 and Kshs.60,411,484 in 2015, 2014 and 2013 respectively.

- (ii) Criteria No.5 required details of the contractors' representative and key personnel. However, during evaluation and verification of bid documents it was revealed that the winning bidder attached Curricula Vitae (CVs) of personnel who were not certified by the representative of the Company as per the requirement, and notably an environmental specialist resume and declaration as the contractor's representative and key personnel in form PER-1 were missing.
- (iii) Criteria No.6 required bidders to demonstrate possession of specified construction equipment. However, scrutiny of bid documents revealed that the winning bidder did not demonstrate possession of construction equipment specified in the tender documents including; a concrete mixer 0.5m³/min, survey equipment, a vibrator and an air compressor with jack hammer (30m³/min at 10 BARS).

In view of the above, it was not possible to confirm whether the winning bidder qualified technically to be awarded the contract, and whether expenditure of Kshs.98,186,004 under the contract was incurred lawfully and in an effective way.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance, were not effective.

Basis for Conclusion

Delays in Project Implementation

The Project commenced on 1 December, 2014 with the expected completion date set at 30 November, 2020. However, as at the time of the audit in October, 2020, the Project had absorbed an amount of Kshs.607,776,950 of the total donor commitment funding of Kshs.1,183,500,000, which accounts for 51%. It was not confirmed how Management intends to implement the rest of the activities within the remaining timeframe.

In view of the above, the objectives of the Project may not be achieved and the intended beneficiaries may take longer to derive benefits from the Project. This raises doubt on the governance structures in place and capacity of Management to implement the Project to achieve the intended purpose.

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs

will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

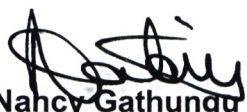
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the 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 which are identified during the audit.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

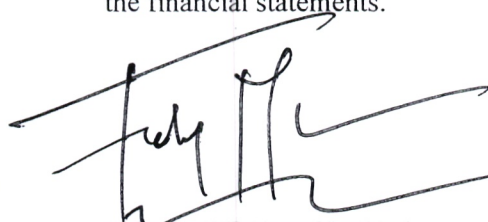
15 December, 2020

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Reports and Financial Statements
For the financial year ended June 30, 2020

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

	Note	2019/2020		2018/2019		Cumulative to-date
		Receipts and payment controlled by the entity	Payments made by third parties	Receipts and payment controlled by the entity	Payments made by third parties	
		KShs	KShs	KShs	KShs	KShs
RECEIPTS						
Proceeds from domestic and foreign grants	10.3	209,801,523	-	64,705,876	-	607,776,950
TOTAL RECEIPTS		209,801,523	-	64,705,876	-	397,975,427
PAYMENTS						
Compensation of employees	10.4	13,623,320	-	4,988,360	-	39,143,460
Purchase of goods and services	10.5	26,929,806	-	38,057,297	-	165,326,988
Other grants and transfers and payments	10.6	170,531,079	-	(2,530,829)	-	331,422,807
TOTAL PAYMENTS		211,084,205	-	40,514,827	-	535,893,255
SURPLUS/(DEFICIT)		(1,282,682)		24,191,049	-	71,883,695

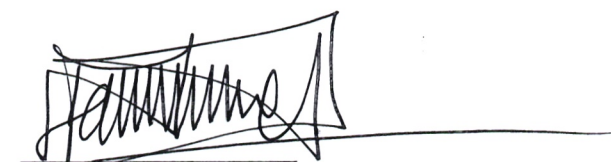
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



Chief Executive Officer
Ismail Fahmy M. Shaiye



Project Manager
Fidelis Tamangani



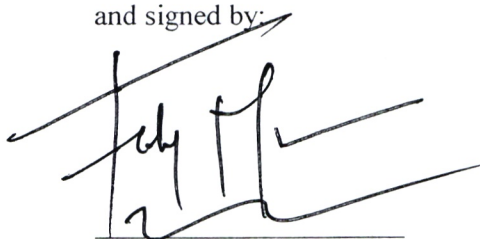
Ag. Chief Manager Finance
Samwel Gitau Mbugua
ICPAK Member Number: 2868

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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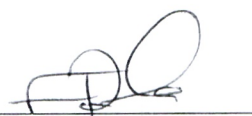
7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

	Note	2019/2020	2018/2019
			KShs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Cash Balances	10.7	71,883,695	73,166,377
Total Cash and Cash Equivalents		71,883,695	73,166,377
TOTAL FINANCIAL ASSETS		71,883,695	73,166,377
REPRESENTED BY			
Fund balance b/fwd	10.8	73,166,377	48,975,328
Surplus/(Deficit) for the year		(1,282,682)	24,191,049
NET FINANCIAL POSITION		71,883,695	73,166,377

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 18 November 2020 and signed by:



Chief Executive Officer
Ismail Fahmy M. Shaiye



Project Manager
Fidelis Tamangani



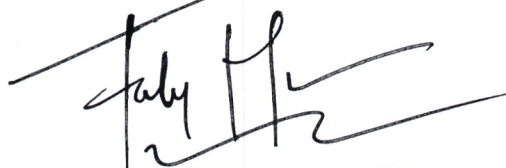
Ag. Chief Manager Finance
Samwel Gitau Mbugua
ICPAK Member Number: 2868

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8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/2020	2018/2019
	Note	KShs	KShs
Receipts for operating activities			
Proceeds from domestic and foreign grants	10.3	209,801,523	64,705,876
Payments for operating activities			
Compensation of employees	10.4	13,623,320	4,988,360
Purchase of goods and services	10.5	26,929,806	38,057,297
Other grants and transfers and payments	10.6	170,531,079	-2,530,829
Net cash flow from operating activities		(1,282,682)	40,514,827
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets		-	-
Net cash flows from Investing Activities		-	-
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings		-	-
Net cash flow from financing activities		-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		(1,282,682)	24,191,049
Cash and cash equivalent at BEGINNING of the year		73,166,377	48,975,328
Cash and cash equivalent at END of the year		71,883,695	73,166,377


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 18 November 2020 and signed by:



Chief Executive Officer
Ismail Fahmy M. Shaiye



Project Manager
Fidelis Tamangani

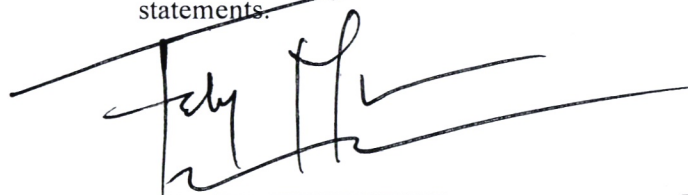


Ag. Chief Manager Finance
Samwel Gitau Mbugua
ICPAK Member Number: 2868

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Proceeds from domestic and foreign grants	240,000,000	193,000,000	433,000,000	209,801,523	(223,198,477)	48%
Total Receipts	240,000,000	193,000,000	433,000,000	209,801,523	(223,198,477)	48%
Payments						
Compensation of employees	9,425,000	4,890,000	14,315,000	13,623,320	(691,680)	95%
Purchase of goods and services	70,122,500	1,670,000	71,792,500	26,929,806	(44,862,694)	38%
Other grants and transfers and payments	160,452,500	186,440,000	346,892,500	170,531,079	(176,361,421)	49%
Total Payments	240,000,000	193,000,000.00	433,000,000	211,084,205	(221,915,795)	49%

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



Chief Executive Officer
Ismail Fahmy M. Shaiye



Project Manager
Fidelis Tamangani



Ag. Chief Manager Finance
Samwel Gitau Mbugua
ICPAK Member Number: 2868

10. NOTES TO THE FINANCIAL STATEMENTS

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

10.1 Basis of Preparation

10.1.1 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.

10.1.2 Reporting entity

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

10.1.3 Reporting currency

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

10.2 Significant Accounting Policies

a) Recognition of receipts

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

• 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.

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

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

Undrawn external assistance

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

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of employees**

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

• **Use of goods and services**

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

• **Interest on borrowing**

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- **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.

c) In-kind donations

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

d) Cash and cash equivalents

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

Restriction on cash

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts receivable

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

f) Pending bills

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

g) Budget

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

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) 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.

i) 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.

j) Errors

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

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2020 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount in KShs
		USD	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors						
World Bank	08 July 2019	128,826.42	13,091,433	-	-	13,091,433
World Bank	08 Nov 2019	127,991.64	13,277,856	-	-	13,277,856
World Bank	29 January 20	1,000,000	101,556,963	-	-	101,556,963
World Bank	09 April 2020	120,875.46	12,221,607	-	-	12,221,607
World Bank	24 April 2020	655,224	69,653,674	-	-	69,653,674
Total		2,032,917.52	209,801,533	-	-	209,801,533

10.4 COMPENSATION OF EMPLOYEES

This relates to salary cost and per diem allowances paid to the program manager during the period.

Description	(Kshs)
Program manager salary	8,000,000
Program manager gratuity	3,720,000
Per diem	1,903,320
Total	13,623,320

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10.5 PURCHASE OF GOODS AND SERVICES

	FY 2019/2020			Cumulative
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	to- date
	KShs	KShs	KShs	KShs
Independent verification agent	4,415,000	-	4,415,000	23,739,502
Publicity and workshop	476,100	-	476,100	7,964,634
Administrative overheads	4,274,852	-	4,274,852	18,755,356
Capacity building for subproject design and implementation	17,763,854	-	17,763,854	114,867,496
Total	26,929,806	-	26,929,806	165,326,988

10.6 OBA SUBSIDIES FOR WATER AND SANITATION SUBPROJECTS

This relates to subsidies issued to water service providers during the period as follows:-

Date	Entity	KShs
25 July 2019	Thika Water and Sanitation Company	(7,149,114)
31 December 2019	Naivasha Water Sewerage & Sanitation Company	28,637,667
31 December 2019	Kisumu Water and Sewerage Co. Ltd	30,566,687
29 January 2020	Nyeri Water and Sewerage Company	45,912,624
09 March 2020	Mathira Water company	21,043,513
06 April 2020	Naivasha Water Sewerage & Sanitation Company	29,370,342
09 April 2020	Muranga South Water and Sanitation Limited	22,149,360
Total		170,531,079

Subsidy amount of Kshs 7.1 million paid to Thika Water and Sanitation Company in 31 May 2018 was refunded during the period.

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10.7 CASH AND CASH EQUIVALENTS CARRIED FORWARD

Description	2019/2020
	KShs
Cash and cash equivalent OBA I	4,016,682
Cash and cash equivalent OBA II	67,867,013
Total	71,883,695

The project has 2 number of project accounts spread within the project implementation area and 1 number of foreign currency designated accounts managed by the National Treasury as listed below:

10.7 A Bank Accounts

Project Bank Accounts

	2019/2020
	KShs
Foreign Currency Accounts	
Central Bank of Kenya [A/c No 1000228121]	-
Total Foreign Currency balances	=
Local Currency Accounts	
National Bank of Kenya [A/C No 3311001]	4,016,682
National Bank of Kenya [A/C No 3311002]	67,867,013
Total local currency balances	71,883,695
Total bank account balances	71,883,695

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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Special Deposit Accounts Movement Schedule

	2019/2020
	KShs
(i) A/C Name [A/c No 1000228121]	
Opening balance	0.71
Total amount deposited in the account	3,288,141
Total amount withdrawn (as per Statement of Receipts & Payments)	(2,547,029)
Closing balance (as per SDA bank account reconciliation attached)	<u>741,112</u>

10.8 FUND BALANCE BROUGHT FORWARD

	2019/2020	2018/2019
	KShs	KShs
Bank accounts	73,166,377	48,975,328
Total	73,166,377	48,975,328

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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For the financial year ended June 30, 2020

11. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR’S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal person to resolve the issue	Point to the Status:	Timeframe:
4.1	<p>Presentation of Non-financial information</p> <p>The following issues were noted in the financial statements provided for audit review:</p> <p>The financial statements did not disclose the status on progress of follow up on auditors’ recommendations.</p> <p>In the presentation of project information and overall performance;</p> <p>Note 1.3 (Project Overview), The Fund did not provide information on the issues the project was formed to address.</p> <p>Note 1.6 currently shows roles and responsibilities of only one staff. An addition should be made to include all staff that directly involved in The</p>	<p>The management has noted the recommendation and has incorporated other additional staff directly involved in the management and operation of the OBA project in the financial report. These changes have been incorporated in the revised and submitted financial statements.</p>	<p>Ag. Chief Manager Finance</p>	<p>Resolved</p>	<p>Not applicable</p>

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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Reference No. on the external audit Report	Issue	Observations from	Management comments	Focal person to resolve the issue	Status	Timeframe
		project such as the project accountant.				
4.2	Pending Bills	Upon review of the expenses under capacity building it was identified that expenses amounting to KShs 5,350,000 were incurred during the year 2018-2019 and paid in the subsequent year 2019-2020. These expenses should therefore have been disclosed as a pending bills in the financial statements for the period ending 30 June 2019.	The management has noted the recommendation and has incorporated the disclosure on pending bills for EMC and Runji Consultants as highlighted in the findings. These changes have been incorporated in the revised and submitted financial statements.	Ag. Chief Manager Finance	Resolved	Not applicable
4.3	Fund Balance Brought Forward	The statement of financial assets reflects a balance brought forward figure of Kshs. 48,975,328 and Kshs.7,788,291 for current year and comparative figures respectively while note 8.8 reflects Kshs.73,166,377 and Kshs.48,975,328 resulting to unexplained variances of Kshs.24,191,049 and	The management has noted the recommendation and the notes to the financial statements have been updated to reflect the correct fund balance brought forward as per the statements of income and expenditure. These changes have been incorporated in the revised and submitted financial statements.	Ag. Chief Manager Finance	Resolved	Not applicable

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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For the financial year ended June 30, 2020

Reference No. on the external audit Report	Issue Auditor	Observations from Management comments	Focal person to resolve the issue	Point to the	Status	Timeframe:
	Kshs.41,187,037 respectively.					
4.4	<p>Misclassification of Expenses.</p> <p>Expenditure amounting to Kshs 2,624,811 was misclassified into the administrative overhead budget line while expenditure amounting to Kshs 11,242 was misclassified into the capacity building budget lines</p>	The management has noted the recommendation and has made the adjustments as appropriate in the financial report. These changes have been incorporated in the revised and submitted financial statements.	Ag. Chief Manager Finance		Resolved	Not applicable
4.5	<p>Single sourcing of suppliers Kshs.23,300,000</p> <p>For the period July 2018 to 31st December 2019, The Fund awarded contracts to four short term consultants amounting to Kshs 22,300,000. Through the audit, it was established that the awards were made based on a request made from the project manager to the CEO however following could not be ascertained:</p> <ul style="list-style-type: none"> Advertisement of intention to single source 	The short term consultant's contracts were extended following the extension of the OBA project from 30 June, 2018 to 31 December, 2019. The consultants were rehired under the OBA project following the direct procurement method following the guidelines for the selection and employment of consultants under IBRD loans and IDA Credits & Grants by World Bank Borrowers under section 3.9 (c);	Project Manager		Resolved	Not applicable

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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Reference No. on the external audit Report	Issue	Observations from Management comments	Focal person to resolve the issue	Point to the Status	Timeframe
	<ul style="list-style-type: none"> • Invitation of financial proposal • Appointment of evaluation committee • Evaluation committee report • Evidence of negotiation • Notification of award • Professional opinion <p>There was therefore no evidence of procurement process and hence the procurement of the four consultants amounting to Kshs. 22,300,000 was done un-procedurally.</p>	<p>Single-source selection may be appropriate in the following cases, and only if it presents a clear advantage over competition: (c) for very small assignments.</p> <ul style="list-style-type: none"> • According to the Bank “very small” assignments are defined by Dollar Thresholds as follows: Dollar thresholds defining “very small” shall be determined in each case, taking into account the nature and complexity of the assignment, but shall not exceed US\$100,000, other than in exceptional cases. <p>Cumulatively, the value of each of the consultant’s contract had not gone beyond the maximum threshold of US\$100,000.</p> <p>The procurement of the RAP consultant for Kshs. 4 million was an additional cost for the</p>			

*KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
 Reports and Financial Statements
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Reference No. on the external audit Report	Issue Auditor	Observations	From	Management comments	Focal person to resolve the issue	Point to the	Status:	Timeframe:
				<p>preparation of a RAP report for Mathira, which was added to the OBA pipeline. The consultant had successfully completed six RAP reports for Embu, Nyeri, Murang'a South, Naivasha, Thika and Kisumu. Thika however dropped out of the OBA pipeline and was replaced by Mathira as a new subproject. Therefore a new contract for the RAP report for Mathira was done following a direct procurement method as an additional assignment to the RAP consultant.</p> <p>During the period of this procurement, the senior procurement officers under Government institutions were disengaged from the office following a Presidential Directive, hence the request from the Project Manager, through the Chief Manager Investments and</p>				

KENYA URBAN WATER AND SANITATION (KUWAS) OBA PROJECT
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Reference No. on the external audit Report	Issue	Observations from Management comments	Focal person to resolve the issue	Point to the Status:	Timeframe:
		Programs.			
4.6	<p>Extension of IVA contract.</p> <p>The contract between WSTF and EMC consultant (Independent Verification Agent) expired on 05/10/2018. An addendum was made on 13/05/2019 to extend on a no cost extension of the IVA EMC consultant contract from 05/10/2018 to 31/12/2019. It was therefore not clear why the addendum was made almost a year after the expiry of the contract and on which terms the IVA was operating with no signed addendum for the extension of time. In addition, the expired contract meant that there was no document to amend or extend and hence tendering was supposed to be have been done afresh.</p>	<p>The addendum although signed after October, 2018 clearly indicated that the no cost extension was for the period 05 October, 2018 to 31 December, 2019.</p>	Project Manager	Resolved	Not applicable

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Budget	Actual for Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Receipts					
Proceeds from domestic and foreign grants	433,000,000	209,801,523	(223,198,477)	48%	The funds requested were lower since withdrawal applications are based on the expenditure incurred in a quarter.
Total Receipts	433,000,000	209,801,523	(223,198,477)	48%	
Payments					
Compensation of employees	14,315,000	13,623,320	(691,680)	95%	
Purchase of goods and services	71,792,500	26,929,806	(44,862,694)	38%	<p>Independent verification agent: The IVA last payment has been delayed due to delayed completion of projects. To be paid in FY2020-21 when all projects are completed.</p> <p>Publicity & workshops: The project only undertook one workshop and due to Covid-19, other workshops were suspended.</p> <p>Administration overheads: Due to Covid-19, the sustainability testing of projects was suspended from February, 2020 up to June, 2020 resulting in a low expenditure</p> <p>Capacity building for project design and implementation. Payment for TA funding for supervising consultants was delayed due to delayed completion of projects.</p>

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
Other grants and transfers and payments	346,892,500	170,531,079	176,361,421)	49%	There was a delay in completion of project physical works due to the COVID-19 Pandemic resulting to delay in payment of subsidies
Total Payments	433,000,000	211,084,205	(221,915,795)	49%	