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OFFICE OF THE AUDITOR-GENERAL
Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS 1413

REPORT OF: 07 DEC 2023 DAY: (Tues)

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OF

Hon Owen Baya, CBSMB
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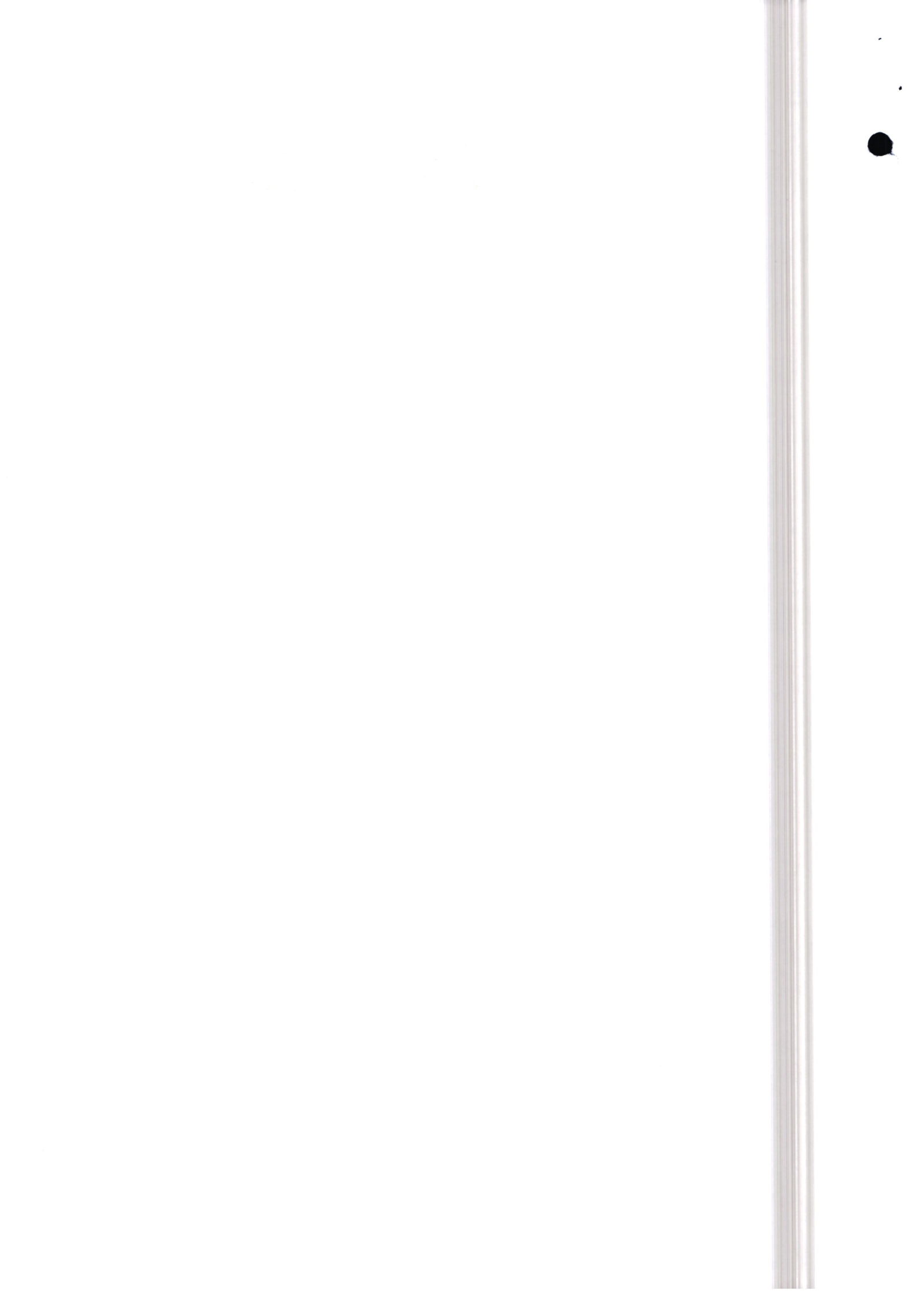
THE AUDITOR-GENERAL

ON

**IMPROVEMENT OF DRINKING WATER AND
SANITATION SYSTEMS IN MOMBASA:
MWACHE PROJECT (CREDIT No. AFD LOAN
NO.CKE 1103 01 C)**

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

**COAST WATER WORKS DEVELOPMENT
AGENCY**





**PROJECT NAME: IMPROVEMENT OF DRINKING WATER AND SANITATION
SYSTEMS IN MOMBASA: MWACHE PROJECT**

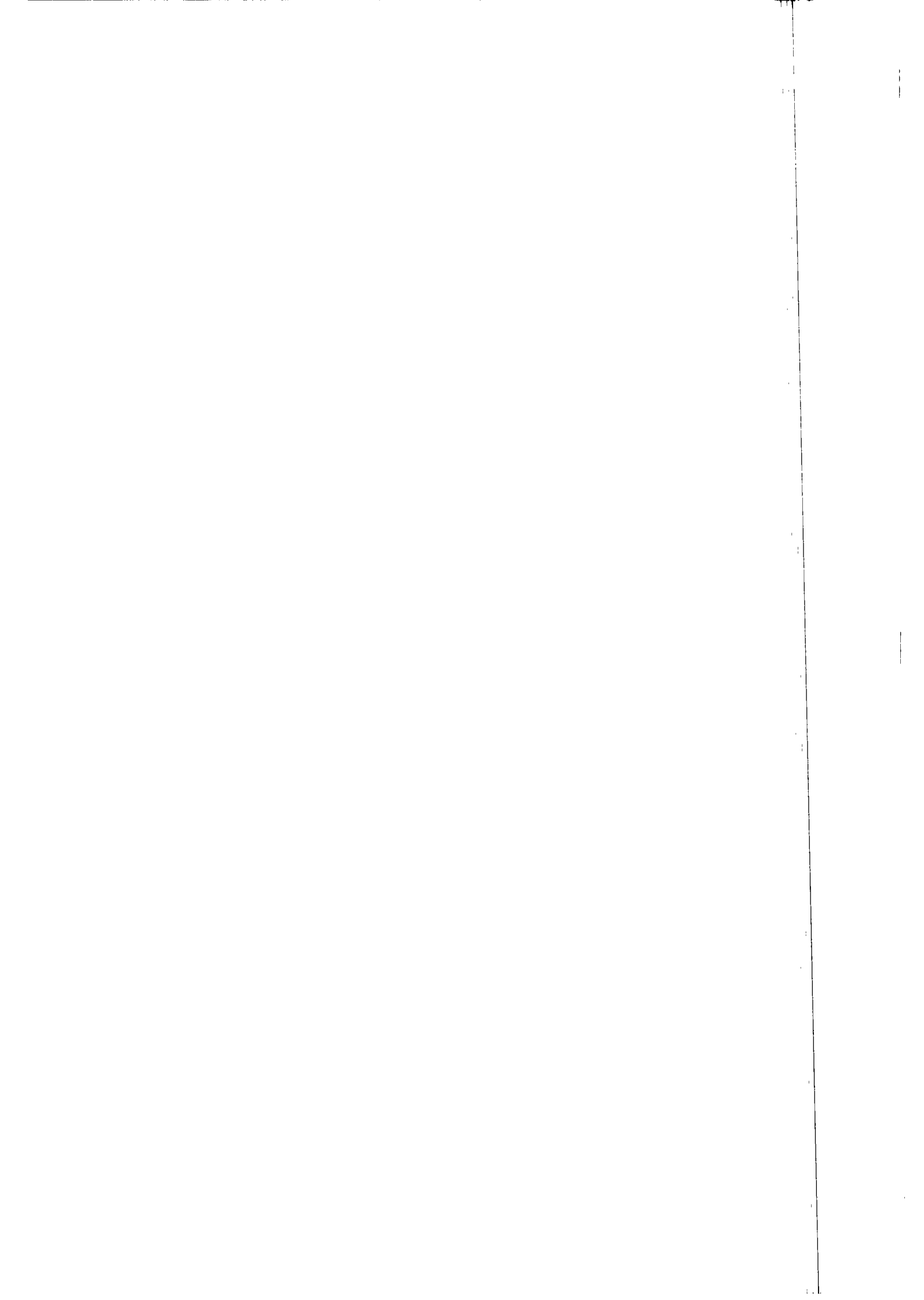
**IMPLEMENTING ENTITY: COAST WATER WORKS DEVELOPMENT AGENCY
(CWWDA)**

PROJECT CREDIT NUMBER: CKE 1103

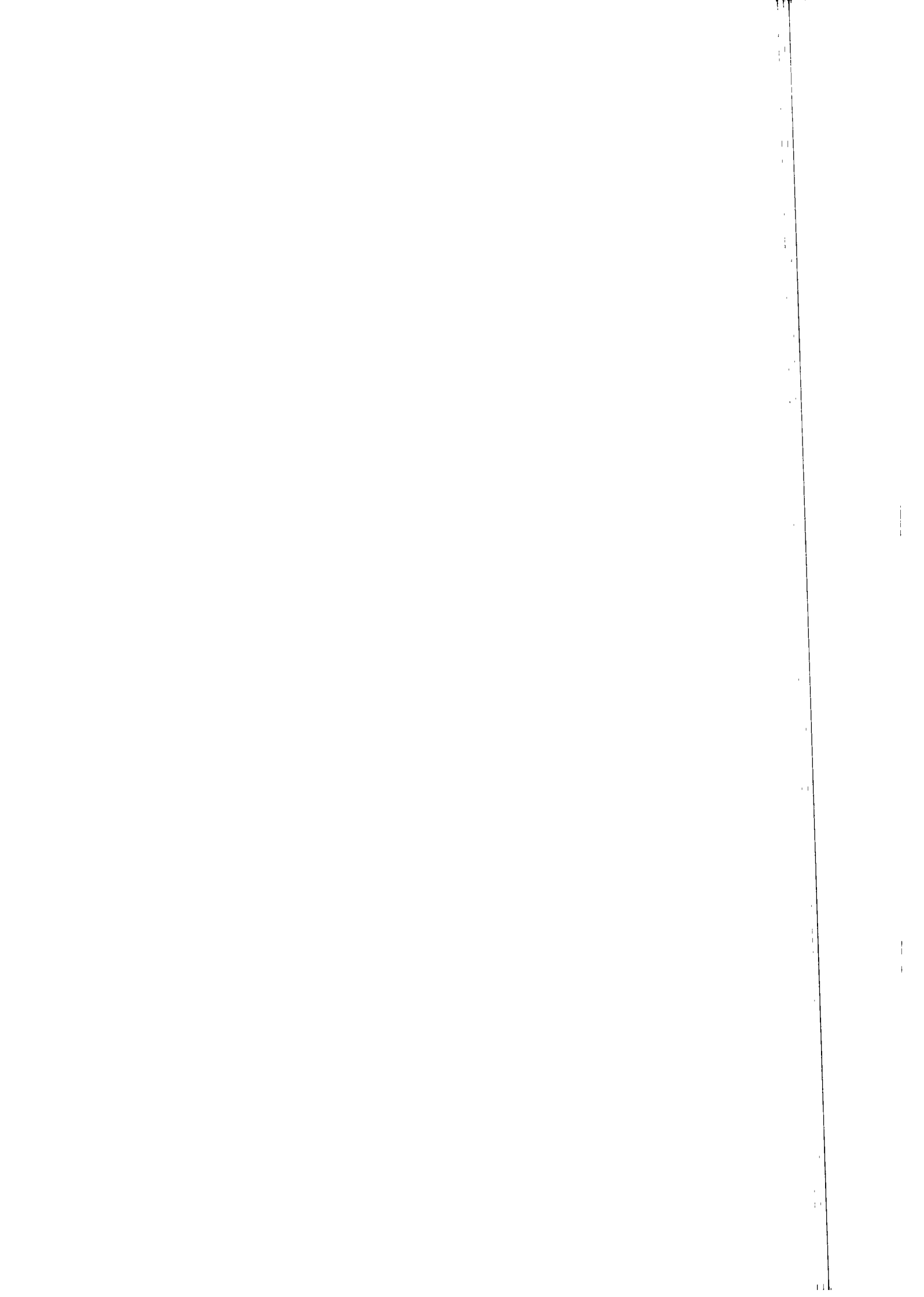
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023



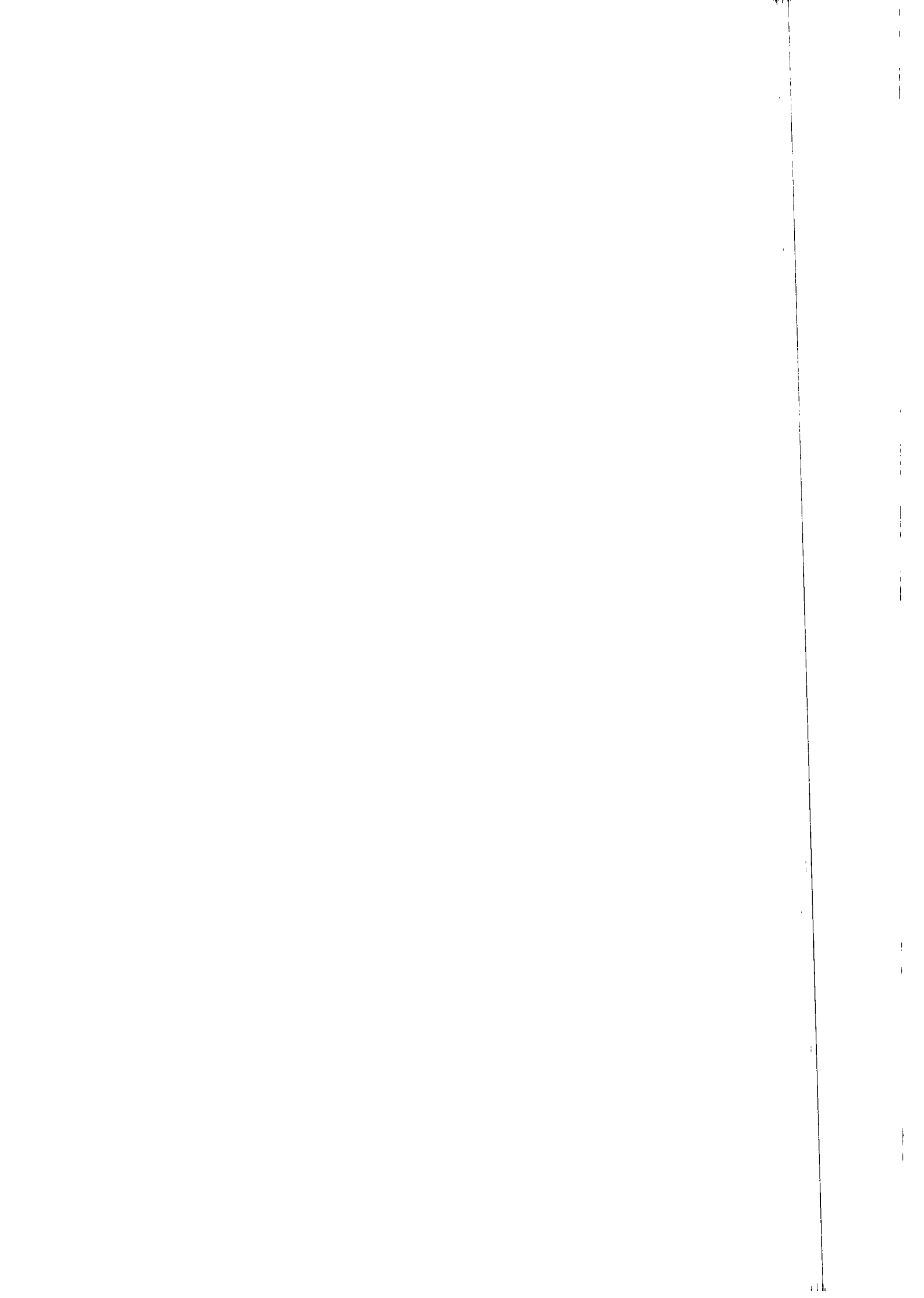
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***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the Financial Year Ended June 30, 2023***

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1. Project Information and Overall Performance

1.1 Name, Objective and Registered Office

Name

The project's official name is the '*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project CKE 1103*'

Objective

The key objective of the project is to improve living conditions for the population of the Mombasa Region by developing access to drinking water and sanitation.

The project's specific objectives are to:

- a) Increase the volumes of drinking water produced in order to eliminate the water shortage in the City of Mombasa.
- b) Reinforce and extend the drinking water distribution network and collective sanitation system in Mombasa.
- c) Build the capacities of the operator in order to gear up for commissioning of the new system and improve the technical and administrative management of the service.

Registered Office

The project registered office is the headquarters of CWWDA in Mombasa County, Kenya and as follows:

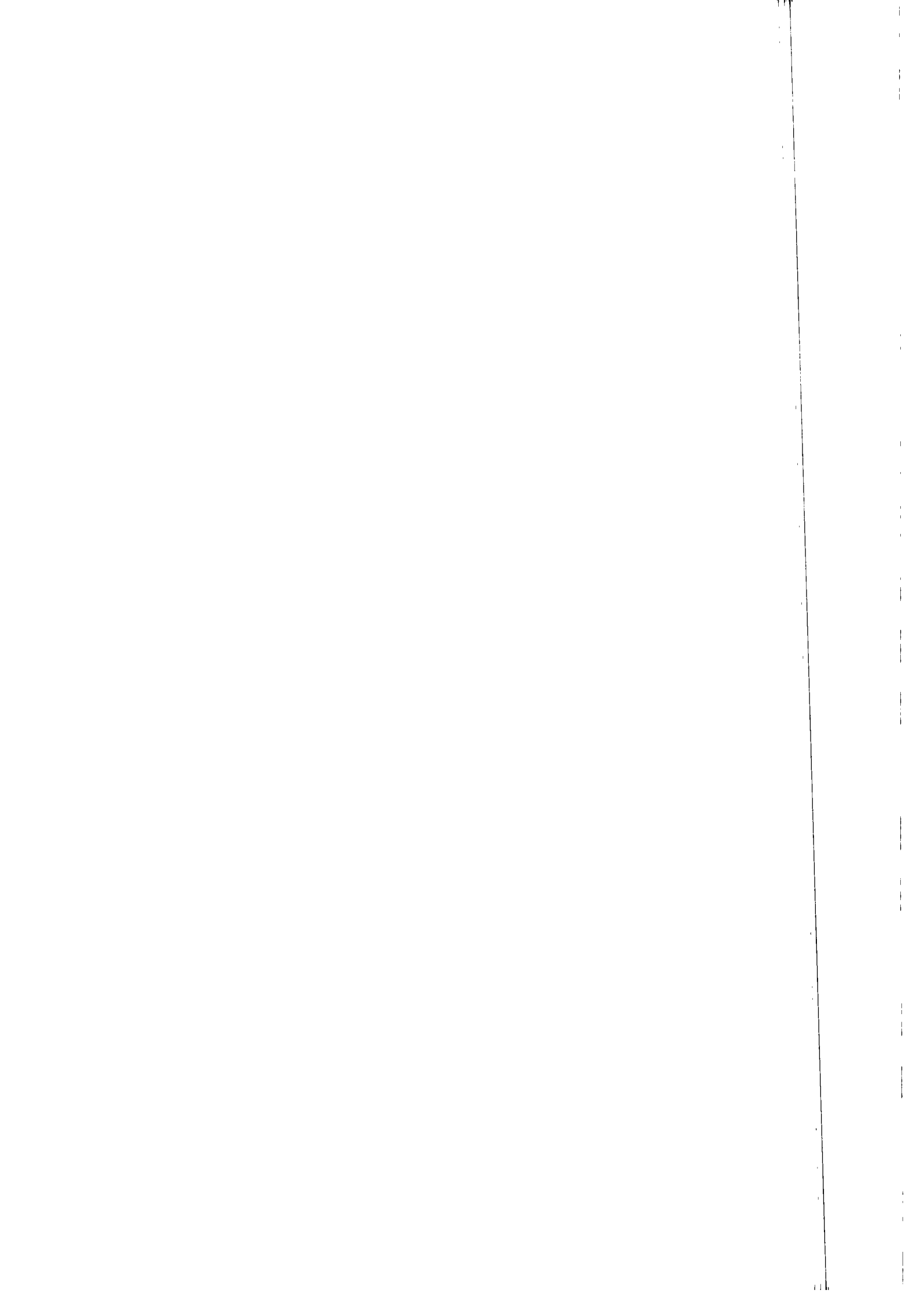
Coast Water Works Development Agency
Mikindani Street, Off Nkrumah Road,
P.O. Box 90417-80100

Mombasa.

Telephone: (254) 041 2315230

E-mail: info@cwvda.go.ke

Website: www.cwvda.go.ke



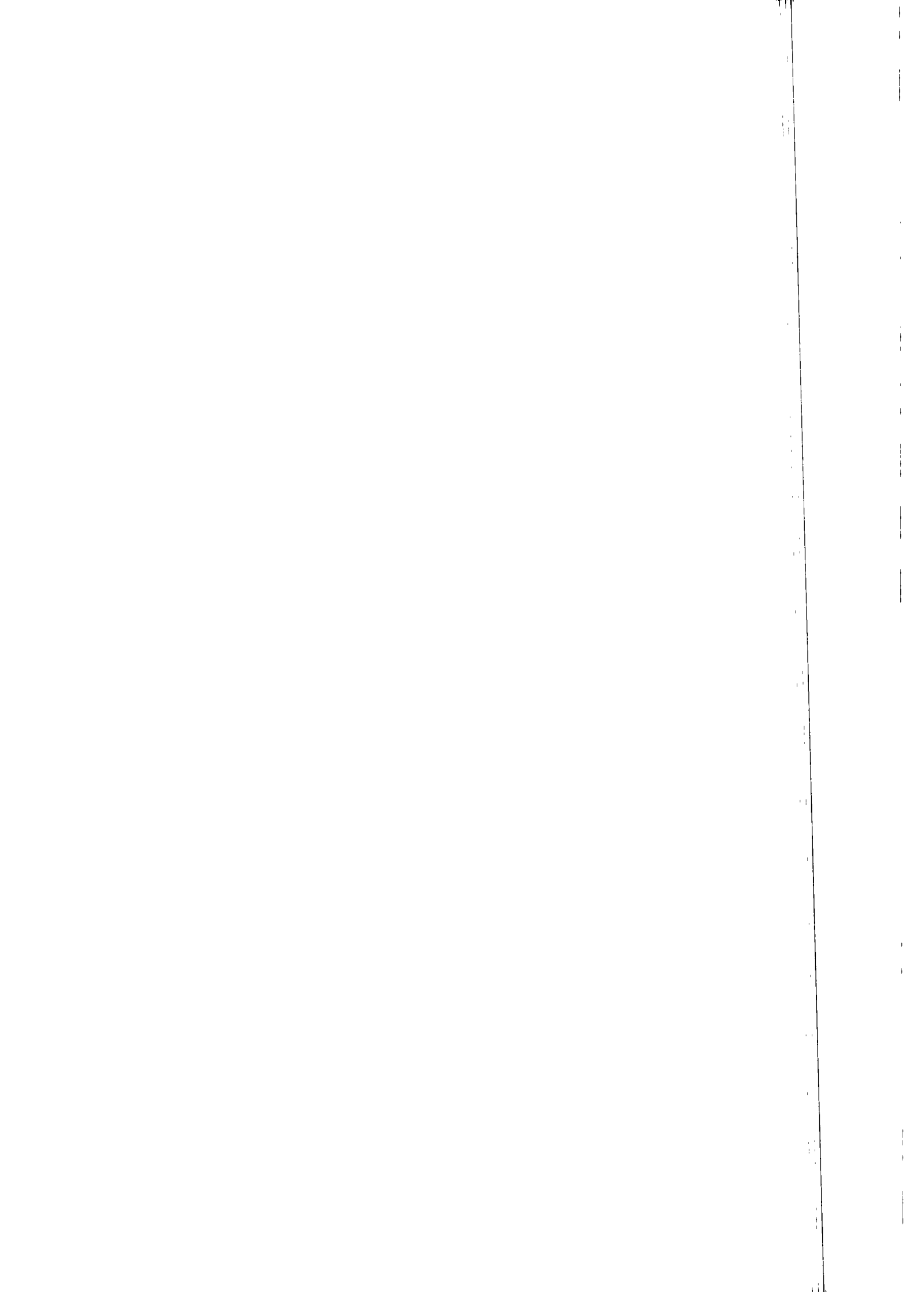
Project Information and Overall Performance (Continued)

1.2 Project Information

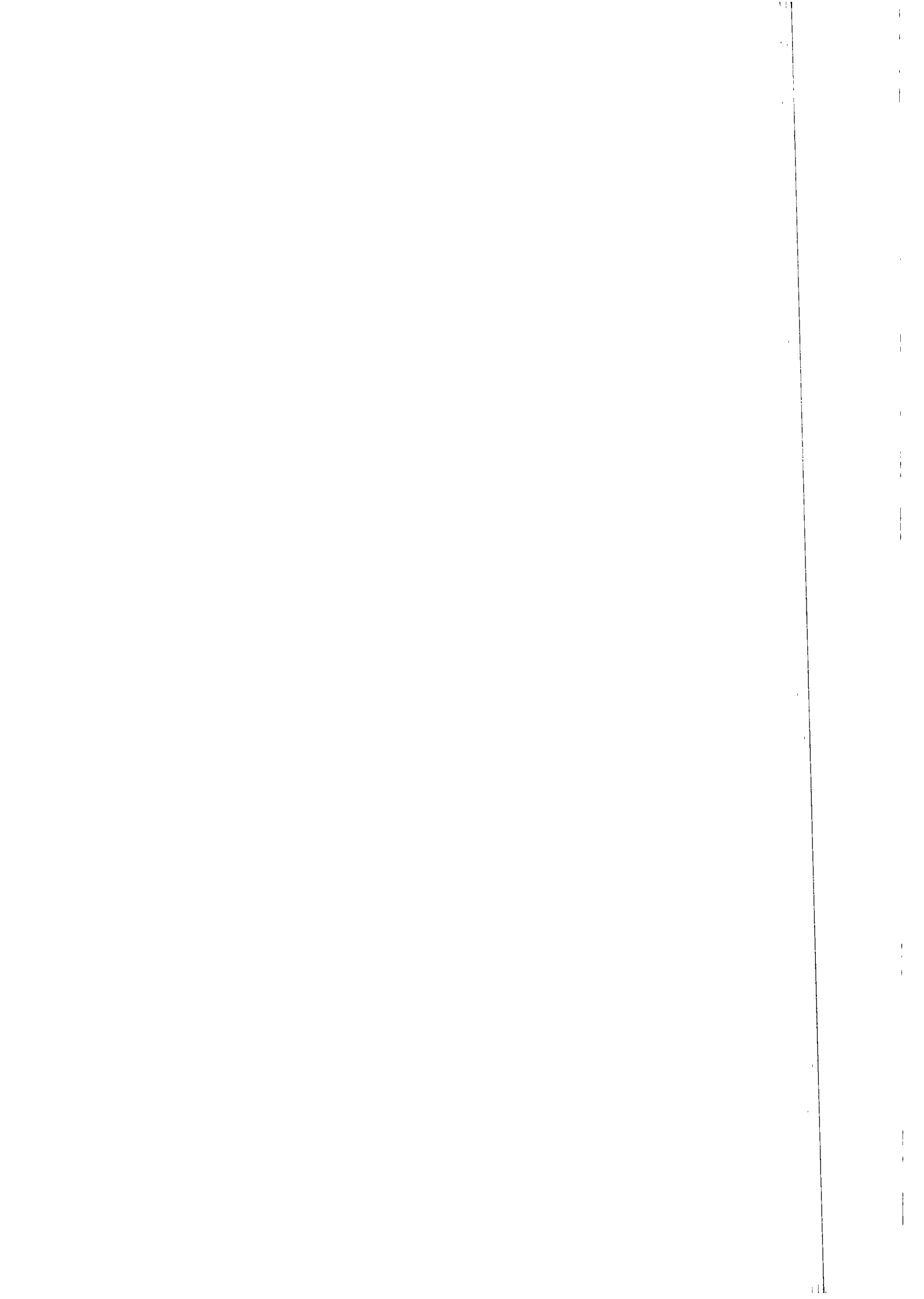
Project Start Date:	The project start date was 21st June 2018
Project End Date:	The project end date is 1st March 2024
Project Manager:	The project manager is Eng. David Kanui
Project Sponsor:	The project sponsor is Agence Francaise De Developement

1.3 Project Overview

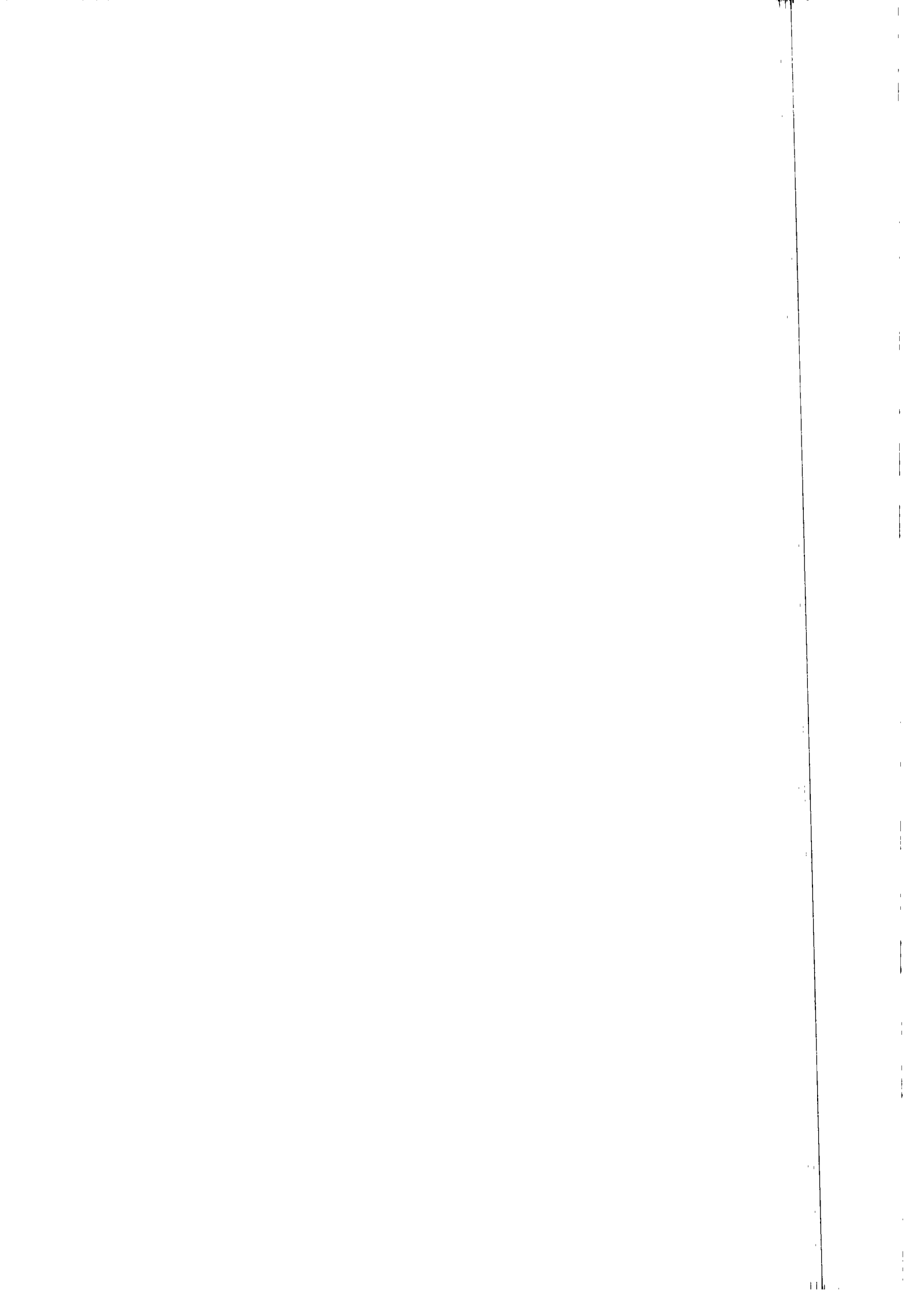
Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation.
Project number	CKE 1103
Strategic goals of the project	The strategic goals of the project are as follows: (i) To improve living conditions for the Population of Mombasa region by developing access to drinking water and sanitation.
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Increase the volumes of drinking water produced in order to eliminate shortages in the city of Mombasa (ii) Reinforce and extend drinking water distribution network and collective sanitation system in Mombasa (iii) Build the capacities of the operator in order to gear up for the commissioning of the new system and improve the technical and administrative management of the service.
Other important background information of the project	None
Current situation that the project was formed to	The project was formed to intervene in the following areas: (i) Component 1



<p>intervene</p>	<p>Upstream investments which involves treatment, transfer and storage. i.e The construction of the raw water pumping station downstream from the Dam, a pumping main and water treatment plant with a capacity of 186,000m³ per day and a treated water reservoir.</p> <p>Another major infrastructure under this component is the transfer component, that is drinking water produced from Mwache plant will be transferred by gravity by at least three pipelines to the main distribution areas:</p> <ul style="list-style-type: none"> -Approximately 70,000m³ a day to the south districts and, in particular, Likoni (Dongo Kundu reservoir); -Approximately 80,000m³ a day to the west and centre districts (Changamwe reservoir); -Approximately 35,000m³ a day to the north districts (Nguu Tatu reservoir). <p>(ii) Component 2</p> <p>Downstream investments which involves distribution and sanitation with focus mainly on South Mainland that is:</p> <ul style="list-style-type: none"> -Increasing the hydraulic capacity of certain pipelines in order to distribute additional volumes from Mwache; -Rehabilitating old networks -Extending the network to new districts and increase the number of connections; -Facilitate leak prevention by implementing an efficient division into sectors. -Setting up emergency measures to improve perennial water shortages in Likoni e.g. setting up small desalination units, rehabilitate Tiwi boreholes or other
------------------	--



	<p>measures to bring in additional water to Likoni.</p> <p>(iii) Component 3</p> <p>Capacity Building for the Water Service Provider which will target the drinking water distribution and sanitation network for Mombasa County (MOWASCO or its legally appointed successor). i.e. with the help of Long Term Technical Assistance who will assist to increase efficiency of the utility especially concerning reduction of Non-Revenue water. e.g. rehabilitation and implementation of stand pipes, installations of prepayment meters, hygiene awareness raising action, leak detection equipment etc</p>
Project duration	The project started on 21st June 2018 and is expected to run until 1 st March 2024



Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

- (i) Kenya Commercial Bank-**Project Account No. 124-021-9660**

1.5 Auditors

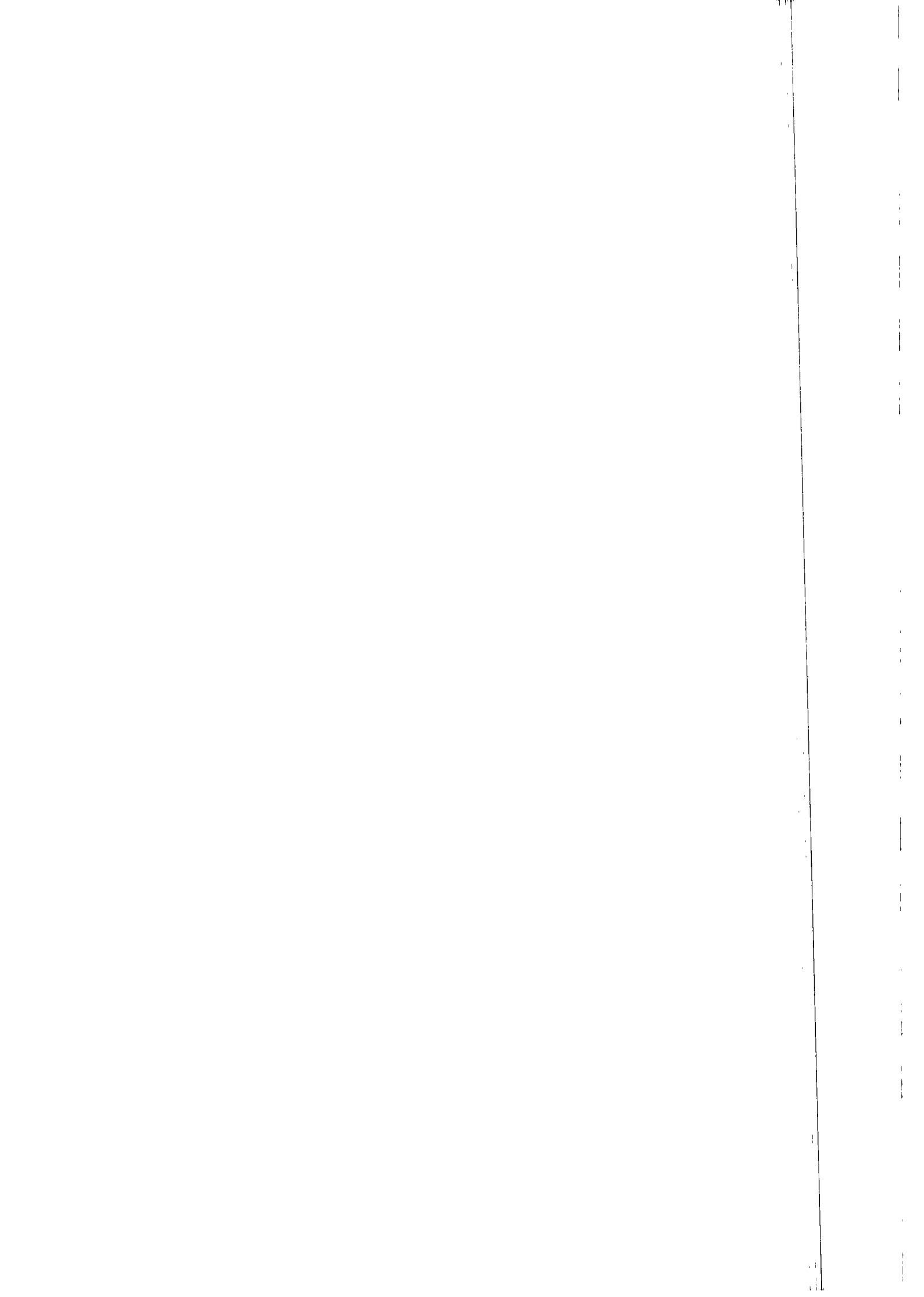
The project is audited by the Office of the Auditor General.

1.6 Roles and Responsibilities

Names	Title Designation	Key Qualification	Responsibilities
Eng. Martin Tsuma	Chief Executive Officer	BSc. Electro-Mechanical Engineering	Accounting Officer
Eng. David Kanui	Deputy Director Planning & Design	BSc. Civil Engineering	Project Coordinator
CPA Stephen Kivuva	Deputy Director Finance	BBA, CPA(K)	Finance Manager
Stanslus Jira	Procurement Manager	MSc. Procurement & Logistics, BPSM, DSM	Procurement Manager
CPA Shee Kibibi	Principal Accountant	Bcom, CPA(K)	Project Accountant

1.7 Funding summary

The Project is for duration of six years from 2018 to 2024 with an approved budget of EUR 120 million equivalents to Kshs 14.025 billion as highlighted in the table below:



*Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2023*

Project Information and Overall Performance (Continued)

Below is the funding summary:

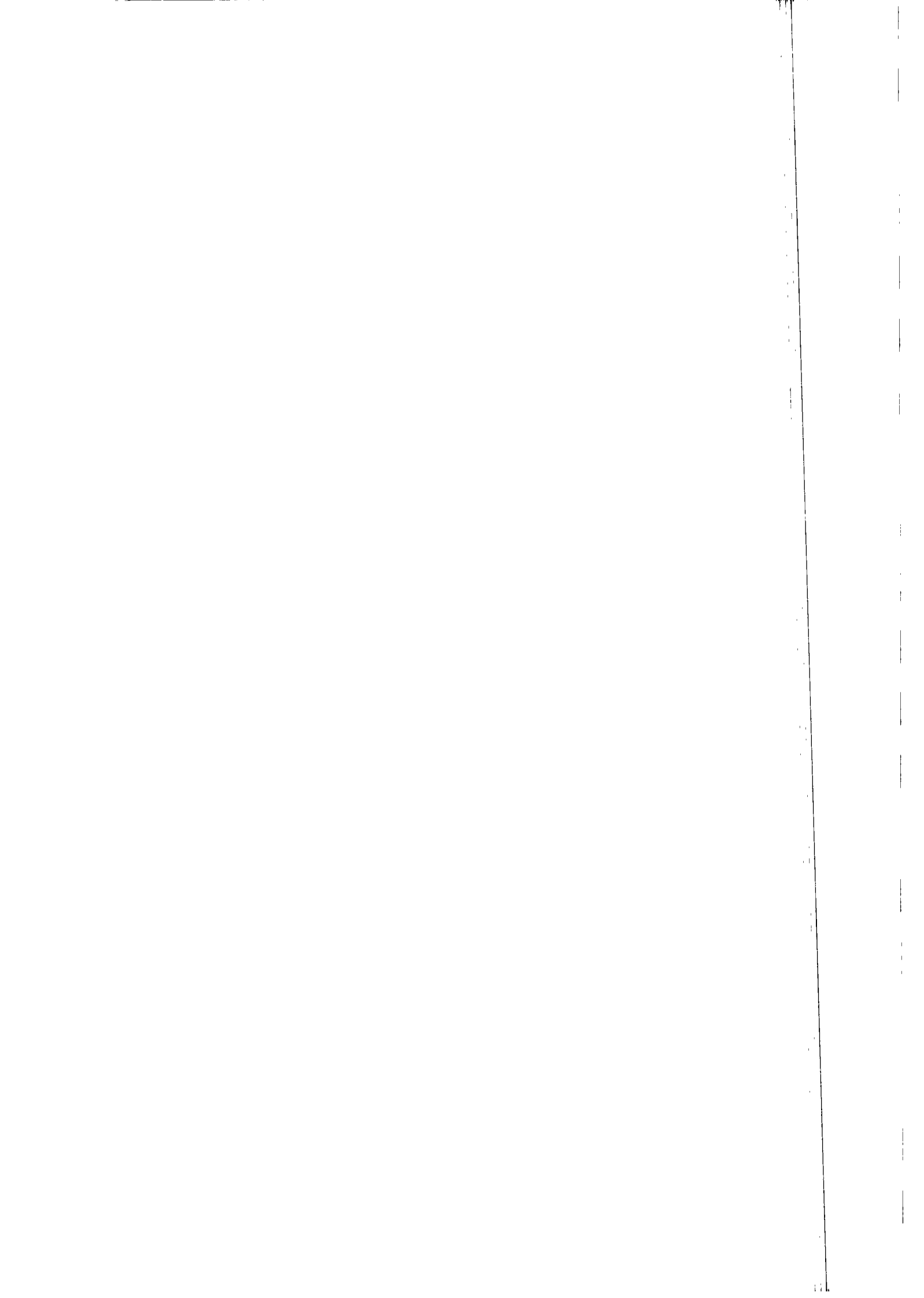
A. Source of Funds

Source of Funds	Donor Commitment-		Amount Received (30 th June 2023)		Undrawn Balance (30 th June 2023)	
	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>	<i>EUR</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A-B)	(A'-B')
(i) Grant						
AFD	100,599	11,620,068	100,599	11,620,068	-	-
(ii) Loan						
AFD	120,000,000	14,025,996,000	3,215,124	400,853,423	116,784,876	13,625,142,577
(iii) Counterpart Funds						
Government of Kenya	13,000,000	1,519,482,900	512,298	66,176,480	12,487,702	1,453,306,420
Total	133,100,599	15,557,098,968	3,828,021	478,649,971	129,272,578	15,078,448,997

Project information and overall performance (continued)

B. Application of Funds

Application of Funds	Amount Received to Date – (30 th June 2023)		Cumulative Amount Paid to Date – (30 th June 2023)	Unutilized Balance to Date (30 th June 2023)	
	<i>Donor Currency</i>	<i>Kshs</i>		<i>Donor Currency</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
AFD	100,599	11,620,068	11,620,068		-
(ii) Loan					
AFD	3,215,124	400,853,423	400,853,423		0
(iii) Counterpart Funds					
Government of Kenya	512,298	66,176,480	62,115,072	-	4,061,408
Total	3,828,021	478,649,971	474,588,563	-	4,061,408



Project information and Overall Performance (continued)

1.8 Summary of Overall Project Performance:

In the financial year 2022/2023, the project had a donor allocation of 710 million. The actual disbursement as at 30th June 2023 was 31.45 million. This represents utilisation of 4% for the year. The following was done during the financial year:

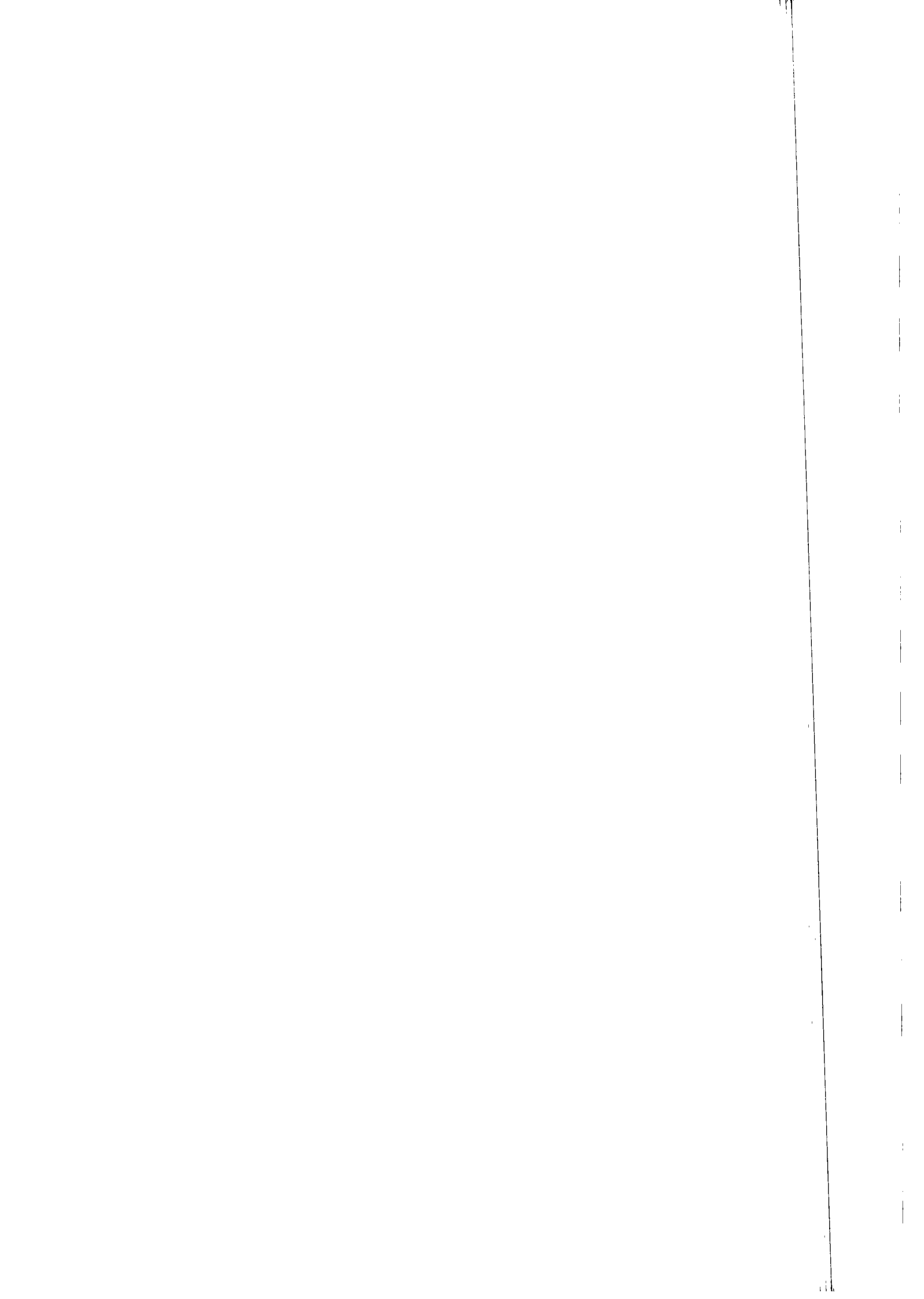
- i) Evaluation for the shortlisting of contractor for the Design, Build and Operate of Mwache Water Treatment Plant was completed and submitted to AFD for review and No Objection to proceed with the Evaluation of the Works Contract.
- ii) Evaluation for the shortlisting of contractor for the construction three transmissions mains were completed and submitted to AFD for review and No Objection to proceed with the Evaluation of the Works Contract.
- iii) Evaluation for the works of distribution pipeline for West Mainland and South Mainland was also completed and submitted to AFD.
- iv) Ongoing Construction of Tiwi Emergency Works at Progress of 40% as at 30th June 2023

The project didn't absorb funds as expected due to the following challenges:

- i) Delays in revenue funds disbursements which hindered payments on time to consultants.
- ii) Delays in getting approval for Tax exemptions especially on the Tiwi Emergency Works Contract.
- iii) Delays in getting Counterpart Funding to process taxes.
- iv) Long Procedures of processing Direct Payments.
- v) Delays in Fulfilment of all Conditions Precent to the Credit Facility Agreement (CFA)

The following are the lessons learnt and recommended way forward:

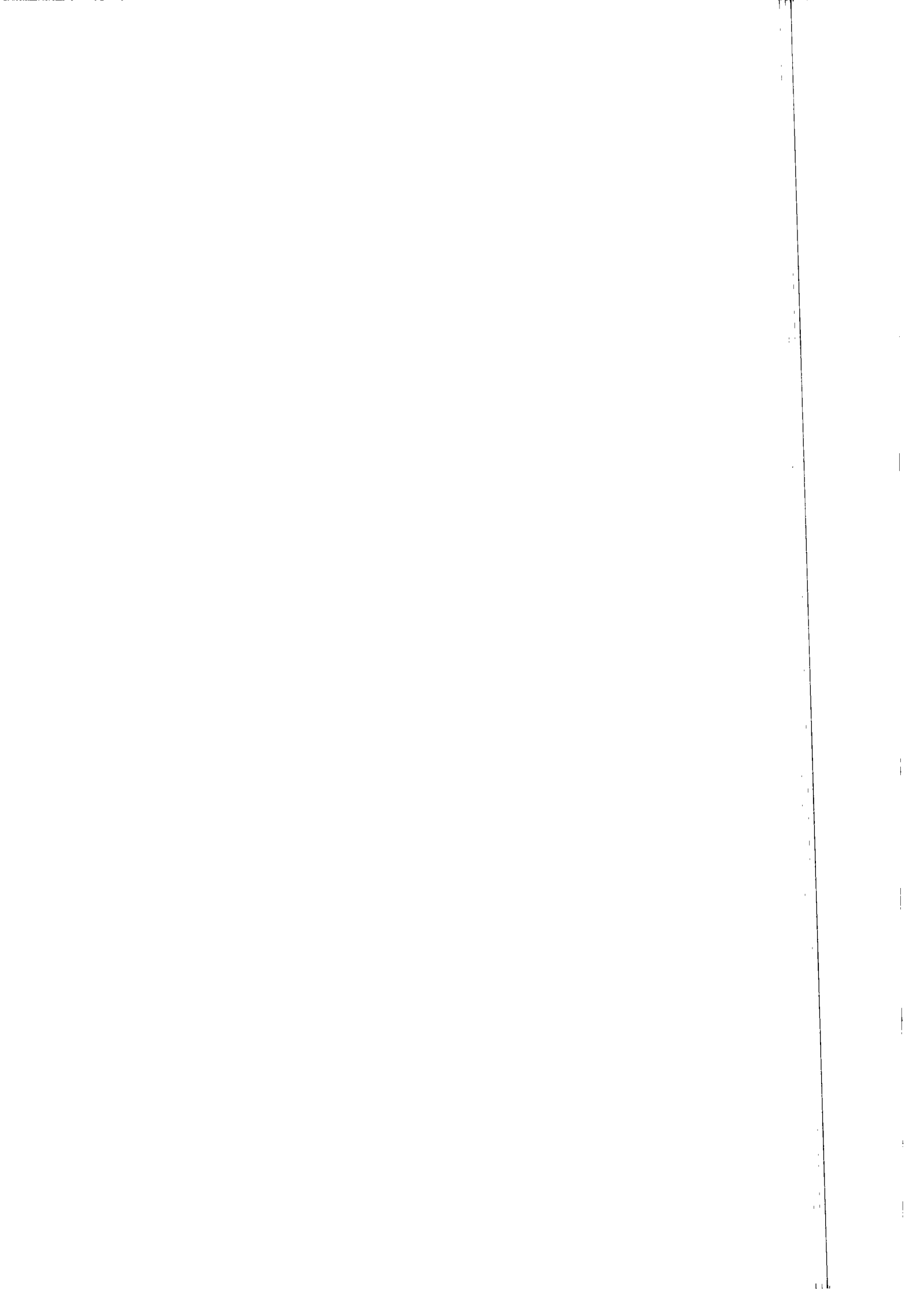
- i) Regular follow up with our line ministry on issues of budgeting, disbursements and reconciliations of project funds.



- ii) Improved capacity building of staff by attending short management courses which has greatly improved contract management.
- iii) Regular site visits and management meetings to review project progress has been introduced and is bearing fruits.
- iv) Regular follow up with our line ministry and Treasury on issues of Tax exemptions.
- v) Regular follow up with our line ministry and Treasury on issues of fulfilment of conditions present of the CFA.
- vi) Regular follow up with AFD for timely issuance of No Objection Letters (NOLs).

1.9 Summary of Project Compliance:

There are no legal issues so far that have been raised and all procurements and implementations are carried out as per the required Procurement Regulations ensuring compliance with applicable laws and regulations, and essential external financing agreements/covenants.



2. Statement of Performance Against Project's Predetermined Objectives

Introduction

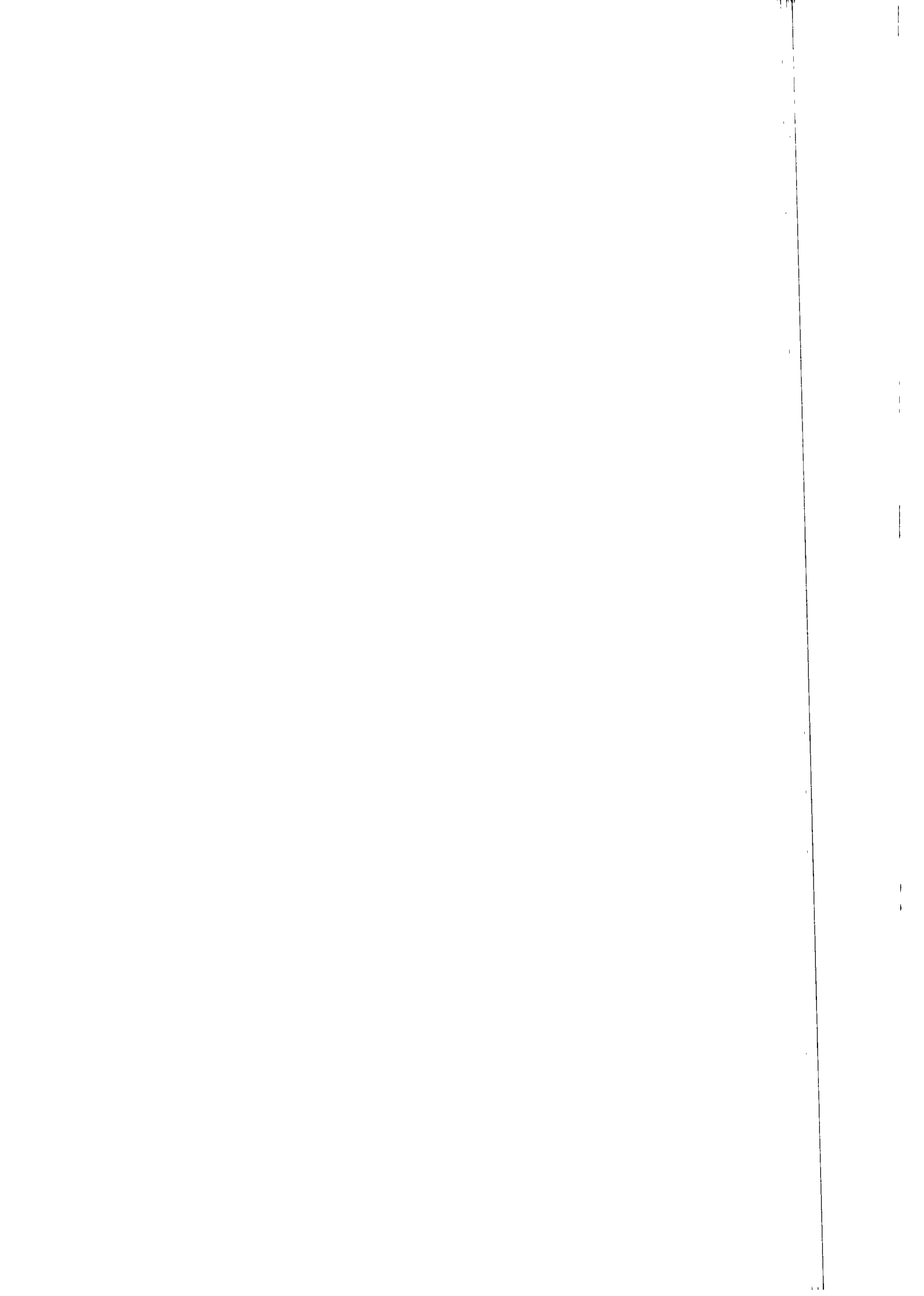
Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards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

The key development objectives of the *project's agreement/* plan are to improve living conditions for the population of Mombasa region by developing access to drinking water and sanitation through:

- a) Increasing volumes of drinking water produced in order to eliminate water shortages in Mombasa
- b) Reinforce and extend water distribution networks and collective sanitation systems in Mombasa.
- c) Build the capacity of the operator in order to gear up for commissioning of the new system and improve the technical and administrative management of the service.

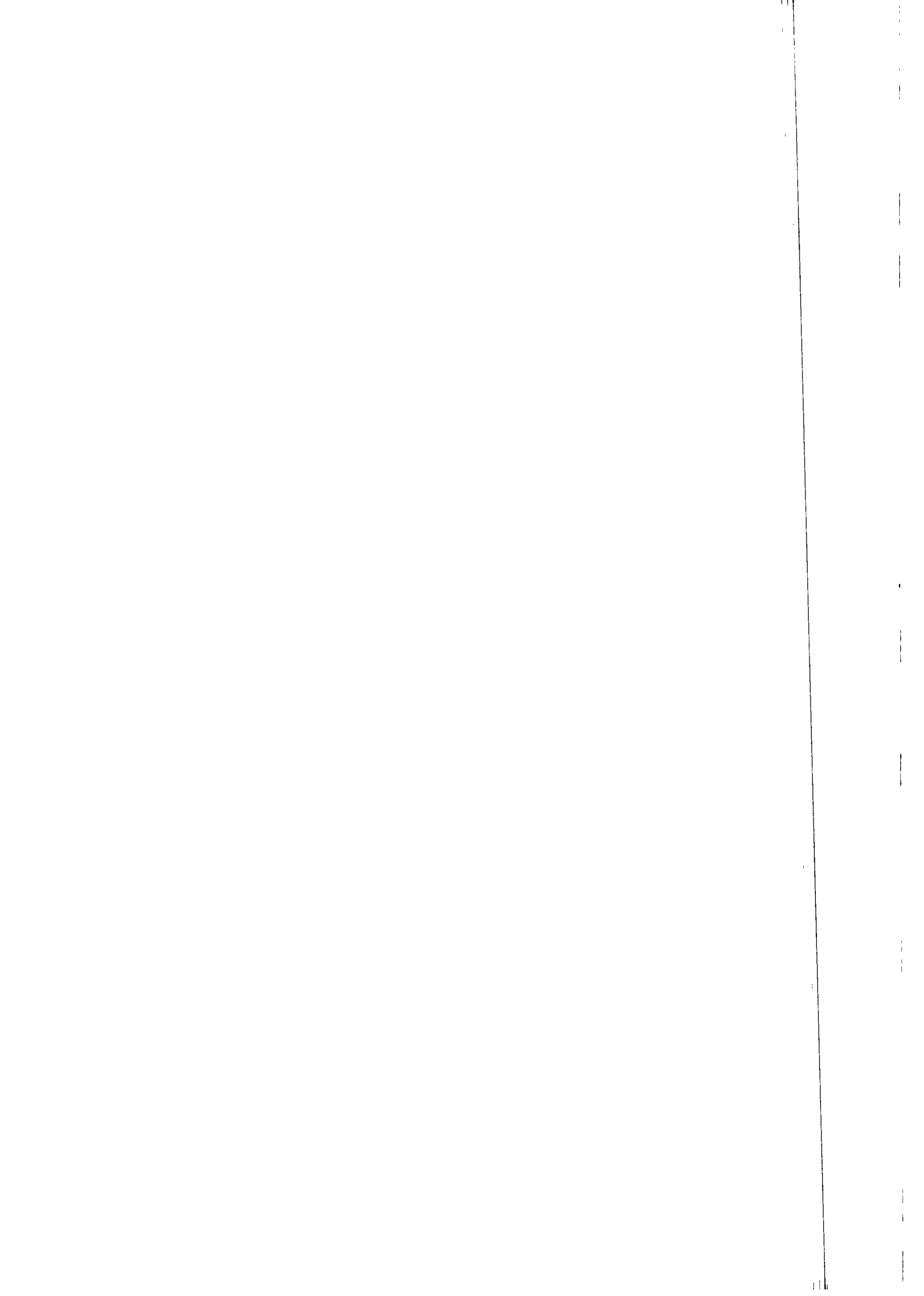
Progress on Attainment of Strategic Development Objectives

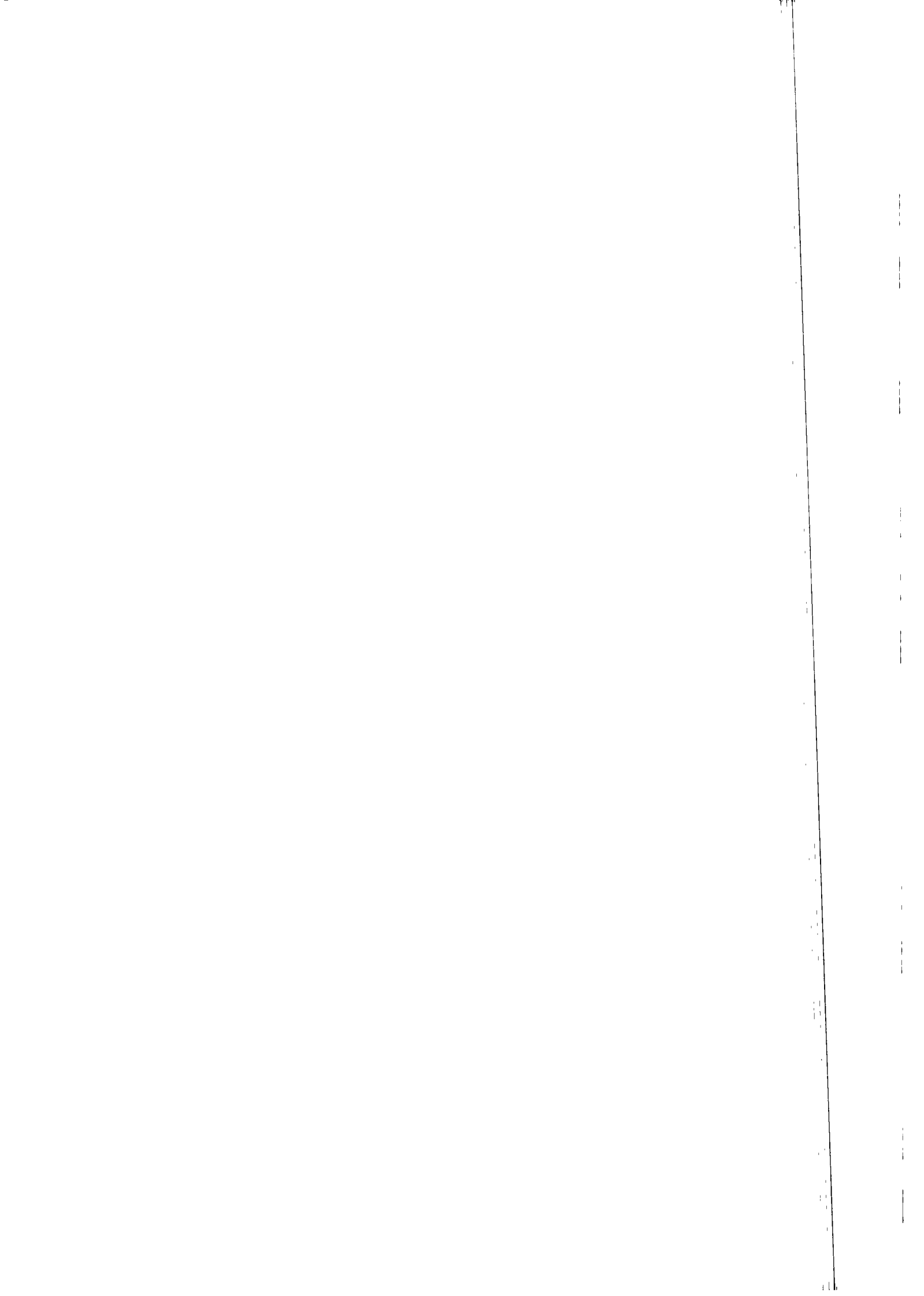
For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking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



Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
AFD-Improvement of Drinking water and Sanitation systems in Mombasa: Mwache Project.	To improve living conditions for the population of Mombasa region by developing access to drinking water and sanitation	- 186,000m ³ /day Mwache water treatment plant designed and constructed - 80km of water transmission pipelines and 3No. tanks of capacity 14,000m ³ each designed and constructed - Approx 100km of primary water distribution pipelines designed and constructed	-600,000 people with access to safe drinking water by 2025 - Water service provision increased from current 6hr to 24hr per day by 2025 in Mombasa City - Reduction of NRW from 50% to 40% by 2025	- Evaluation for the shortlisting of contractor for the Design, Build and Operate of Mwache Water Treatment Plant was completed and submitted to AFD for review and No Objection to proceed with the Evaluation of the Works Contract. - Evaluation for the shortlisting of contractor for the construction three transmissions mains were completed and submitted to AFD for review and No Objection to proceed with the





3. Environmental and Sustainability Reporting

Coast Water Works Development Agency exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

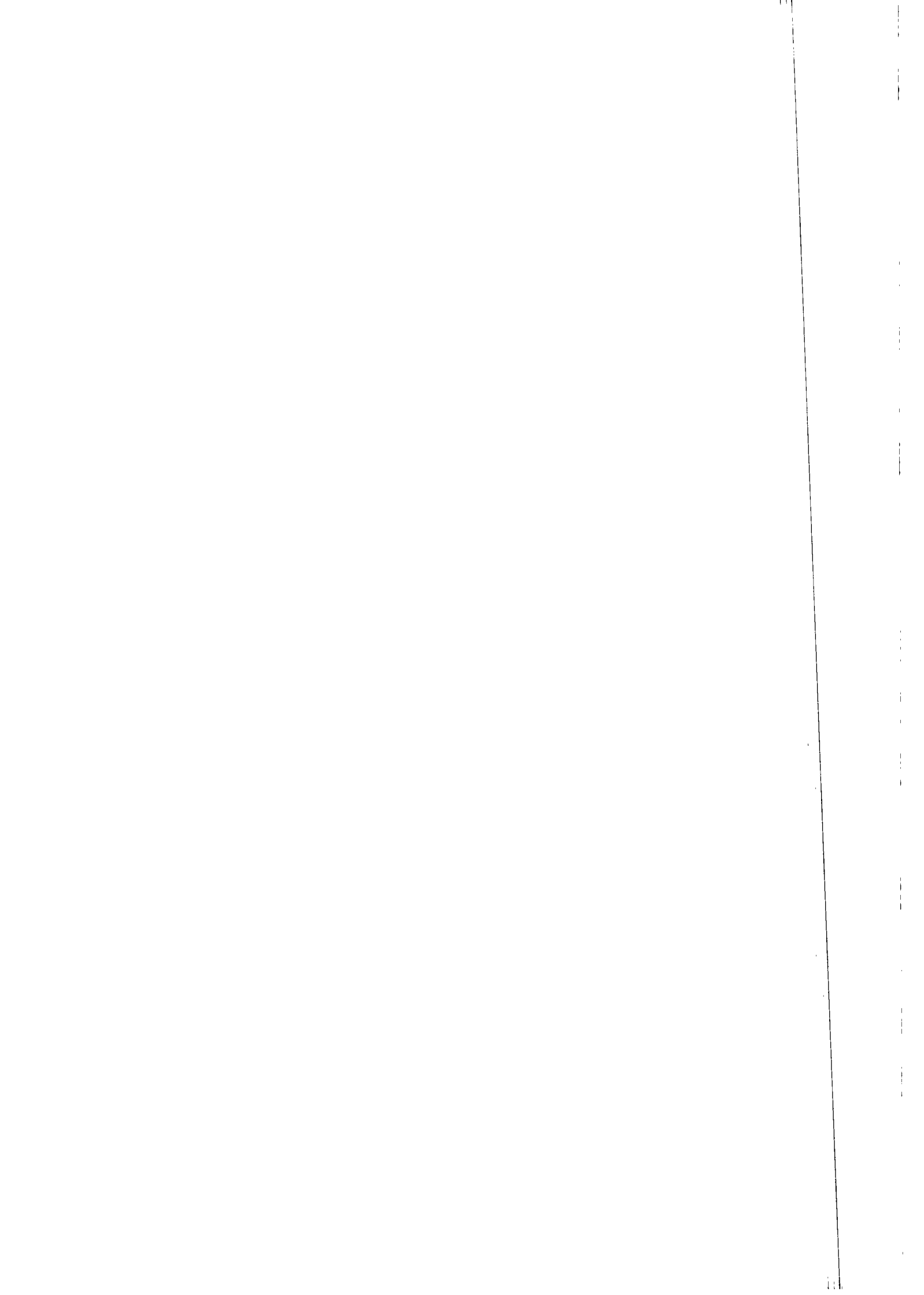
3.1 Sustainability Strategy and Profile

The Mandate of the Coast Water Works Development Agency (CWWDA) is to develop and maintain sustainable water and sanitation infrastructure within its area of jurisdiction. It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio- economic development. It is our undertaking to ensure that the Coast Water Works Development Agency has a credible strategic plan that will deliver the desired goals. This is faced with several challenges including rapid population growth especially in urban areas, increasing economic activities, adverse climatic changes, Covid 19 Pandemic and limited resources.

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the Coast Water Works Development Agency. We will also pay special attention to implementation of Post COVID-19 Recovery Strategies and Plans.

3.2 Environmental Performance

The organisation recognizes the significance of Environmental and Social Management in Projects implementation. This is intended to be achieved by the adherence to the Environmental and Social Commitment Plans (ESCP) uniquely designed for each project. The ESCP outlines the measures and specific actions to be taken by each Contractor during the implementation of projects. The implementation of these measures and actions are periodically monitored by CWWDA Environmental Unit and reported accordingly. CWWDA continually work together with partners such as County governments, Community members, WRA, NEMA, Water Resource Users Associations, local administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects.



3.3 Employee Welfare

Coast Water Works Development Agency takes every effort to ensure that employees' well-being is considered as this affects them both at home and at work. CWWDA has an approved Human Resource and Procedure Manual that was passed through the Board and it ensures that it is strictly adhered to i.e. The Agency endeavours to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons, the policies and work plans for HIV/AIDs, Persons with Disability and Gender have been developed and are being implemented etc.

The organisation is committed to the observance of the requirements that provide for the safety, health and welfare of workers and any persons present at the workplace. These requirements as outlined in the Occupational Safety and Health Act of 2007, (OSHA) are assimilated in the Environmental and Social Management Plans for the projects. These requirements set out the obligations of both the employer and employees rights in cases of accidents, medical aid and occupational diseases. The execution of these requirements is strictly monitored and reported regularly.

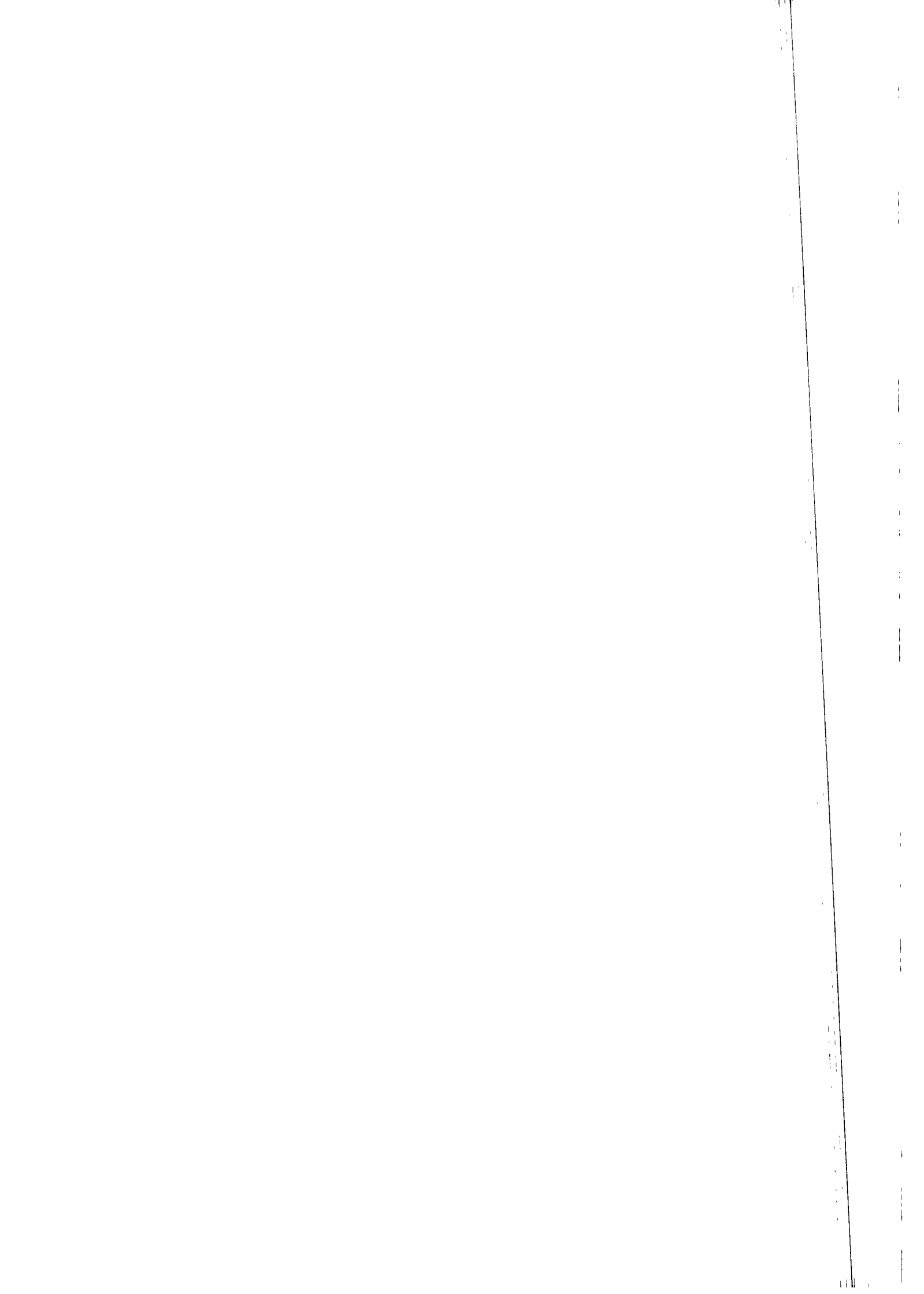
3.4 Market Place Practices-

a) Responsible Supply Chain and Supplier Relations

Coast Water Works Development Agency always publishes its tenders through the local dailies of nationwide circulation, our website and the Government of Kenya National Treasury Portal. In addition, all International Procurement Competition (IPC) tenders are also published in the Dg Market portal. This enables all prospective bidders to freely access the information and to participate in the procurement process. At the close of all tenders, representatives who choose to attend are invited to witness the opening of the tenders to ensure transparency in the bidding process. All the participants are informed of the outcome of the procurement process.

b) Responsible Ethical Practices

All engagements between CWWDA and suppliers and/or contractors take the form of purchase orders and contracts which are signed by both parties and they clearly enumerate responsibilities and obligations of either party. The payment schedules also



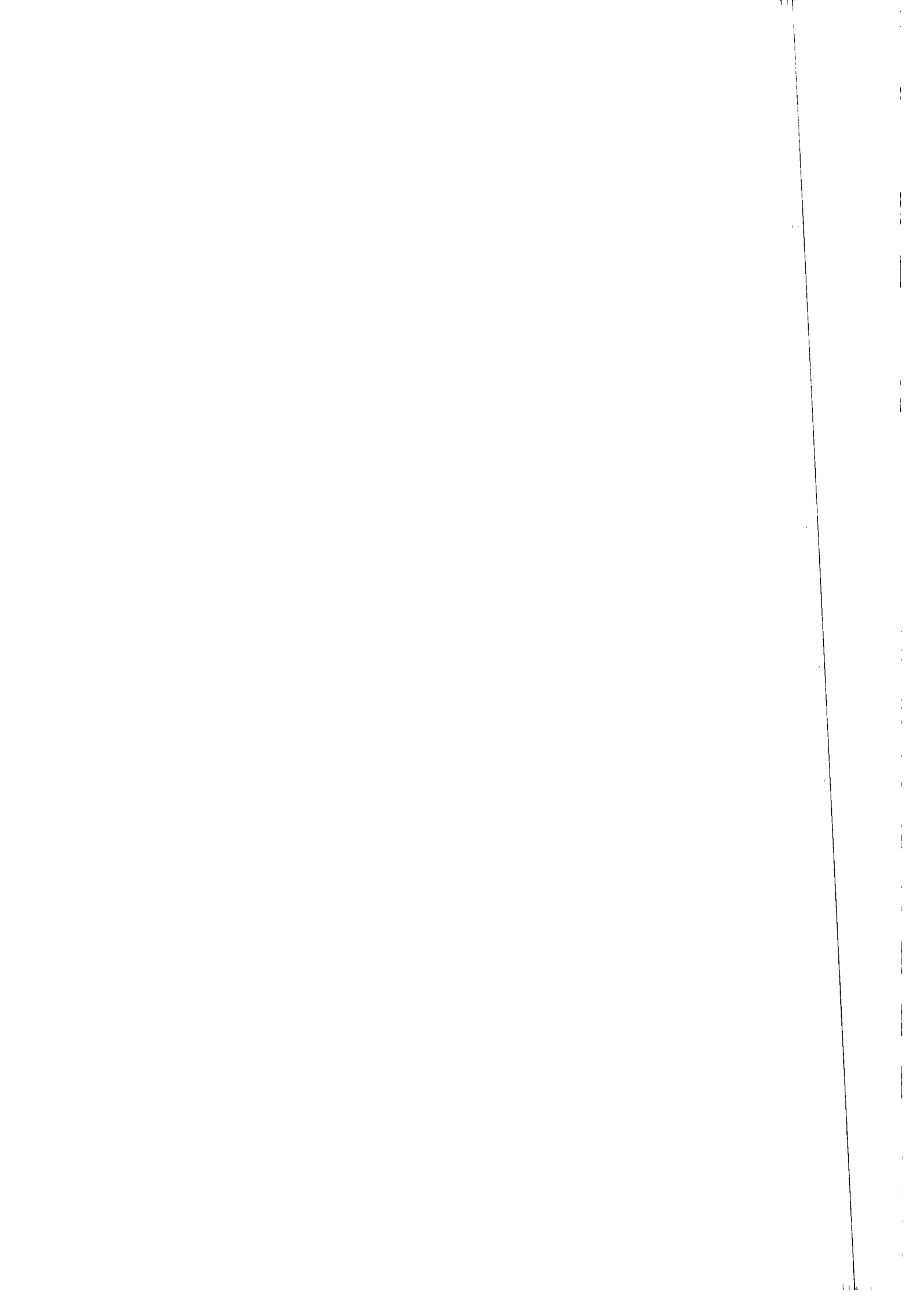
form part of the contracts and they are strictly adhered to during the contract period.

c) Regulatory Impact Assessment

Coast Water Works Development Agency encourages public participation and also clearance by relevant Government agencies to ensure consumer rights and interests are not infringed.

3.5 Community Engagements

Coast Water Works Development Agency engages in community development that is taking active role in National Tree Planting Campaigns, paying for the best student school fees of Lango Baya Primary School at our Baricho Station Area, played a role in curbing the spread of Covid 19 by provision of water through water trucking exercise and erection water tanks that were to supply free water & soap in various areas of our jurisdiction.



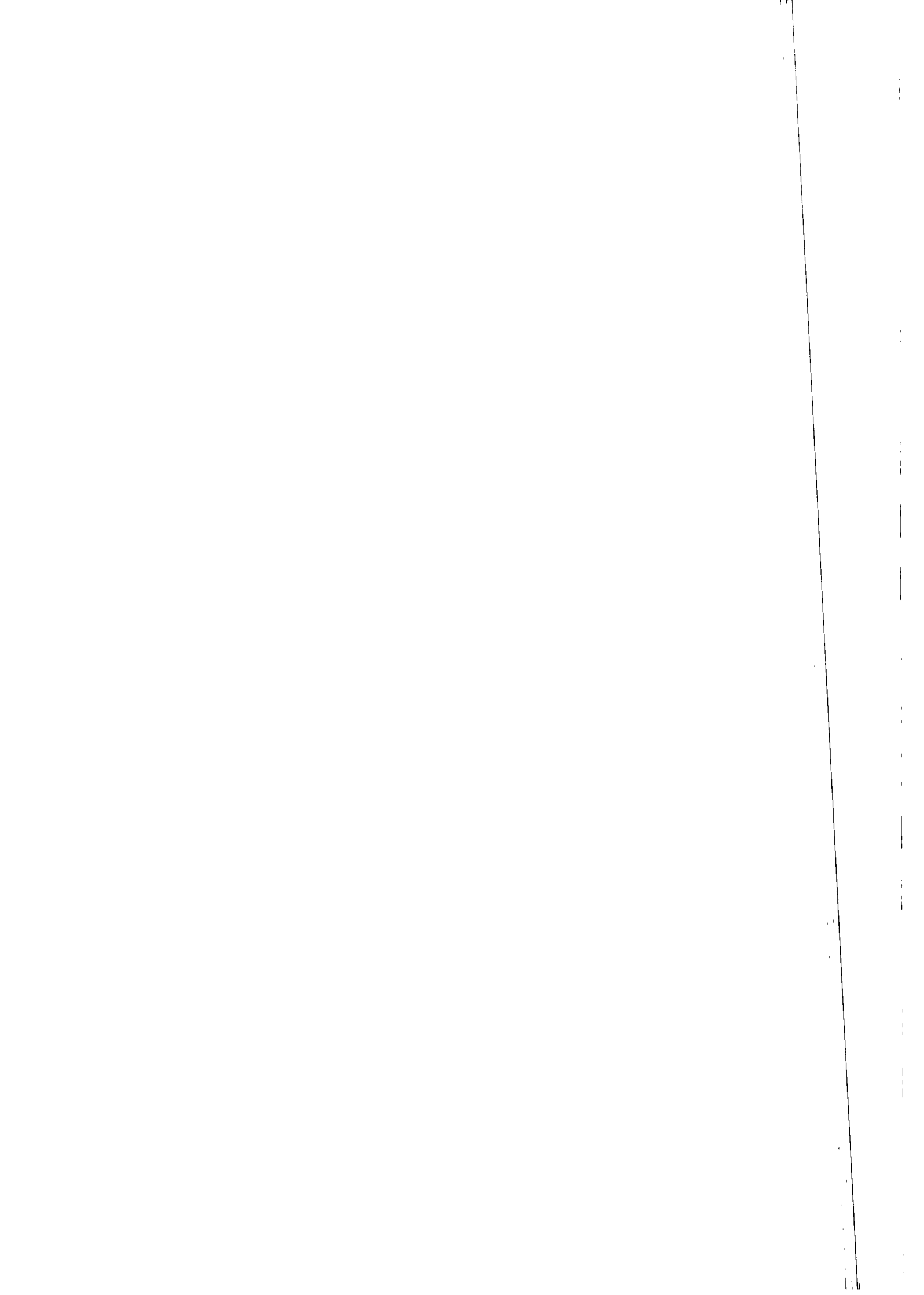
4. Statement of Project Management Responsibilities

The Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the Project Coordinator for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2023.

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 (v) Making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the Project Coordinator for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache 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.

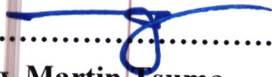
The Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the Project Coordinator for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date. The Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the Project Coordinator for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache 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.

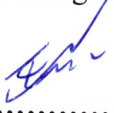



The Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the Project Coordinator for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

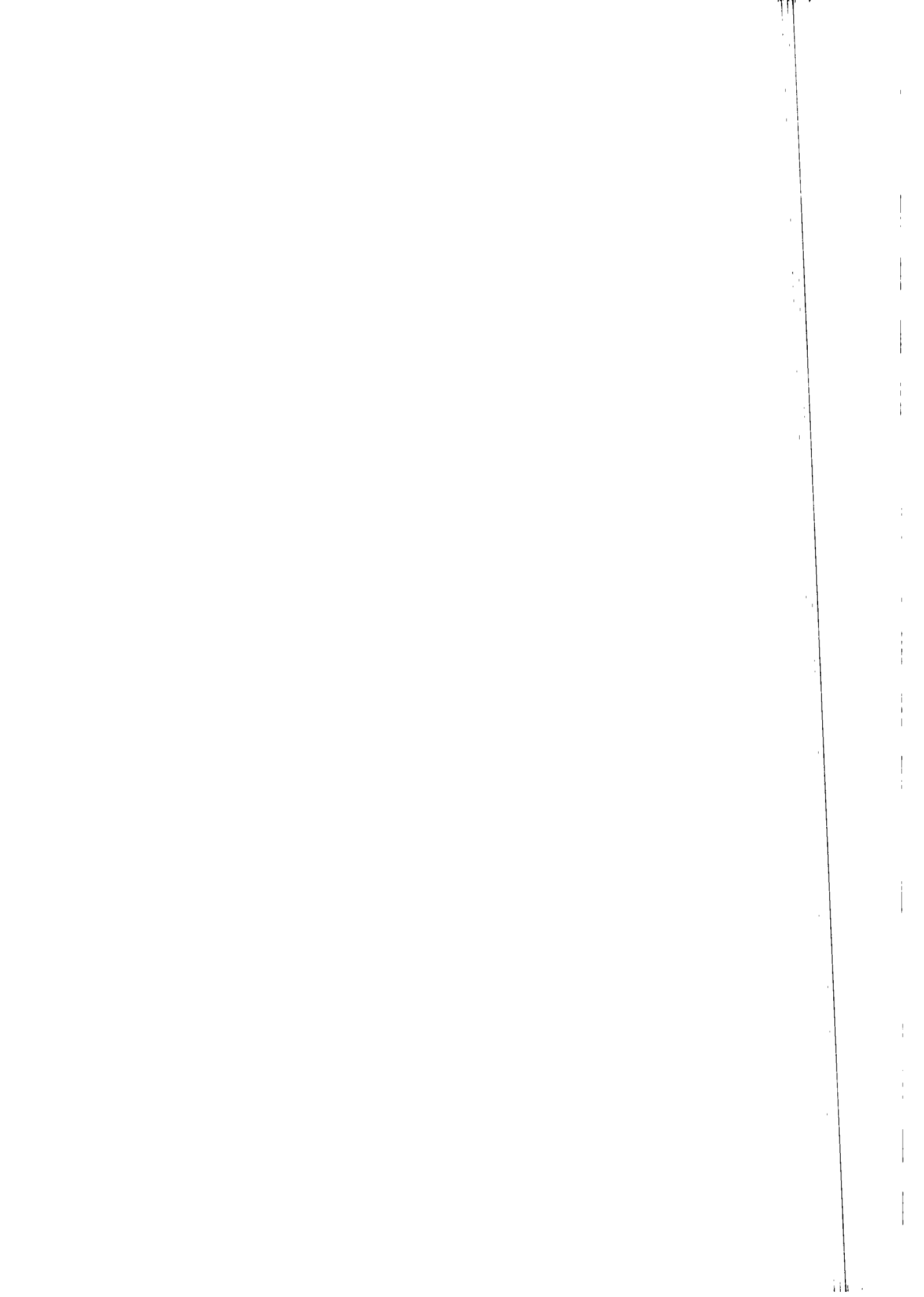
Approval of the Project Financial Statements

The Project financial statements were approved by the the Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the Project Coordinator for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project on 23rd / 10 / 2023 and signed by them.

.....

Eng. Martin Tsuma
Chief Executive
Officer
EBK No. A4132

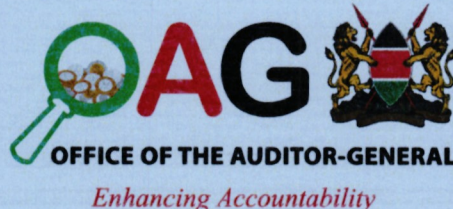
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Eng. David Kanui
Project Coordinator
EBK No. A3232

.....

CPA Shee Kibibi
Project Accountant
ICPAK Member No:21329



REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON IMPROVEMENT OF DRINKING WATER AND SANITATION SYSTEMS IN MOMBASA: MWACHE PROJECT (CREDIT No. AFD LOAN NO.CKE 1103 01 C) FOR THE YEAR ENDED 30 JUNE, 2023 – COAST 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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

Opinion

I have audited the accompanying financial statements of Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project (Credit No. AFD LOAN NO.CKE 1103 01 C) set out on pages 1 to 22 , 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, the financial statements present fairly, in all material respects, the financial position of Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project 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 Financing Agreement No. CKE 1103 dated 21 June, 2018, and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project Management in accordance with ISSAI 130 on the 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.897,596,864 and Kshs.81,445,674 respectively resulting to underfunding of Kshs.816,151,190 (or 91%) of the budget.

Similarly, the statement of receipt and payments for the year ended 30 June, 2023 reflects total cumulative receipts to date as Kshs.478,649,971. The amount includes Kshs.400,853,423 (approx. 3,215,124 Eur) being receipts from the AFD. The total amount received to date from AFD accounts for only 2.8% of the donor project funds commitment

Report of the Auditor-General on Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project (Credit No. AFD LOAN NO.CKE 1103 01 C) for the year ended 30 June, 2023 – Coast Water Works Development Agency

of Kshs.14,025,996,000. No explanation was provided for non-receipt of the funds as per the signed financing agreement that is due to expire on 1 March, 2024.

2. Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management has indicated the status of the issues as resolved, no evidence was provided to support that position.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Report on Lawfulness and Effectiveness in Use of Public Resources, 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

1. Slow Implementation of the Mwache Project

The statement of receipt and payments and as disclosed in Note 8 to the financial statements reflects Kshs.318,922,083 as acquisition of non - financial assets which include Kshs.250,083,716 in respect of research, studies, project preparation, design & supervision.

Review of documents supporting the expenditure revealed total expenditures of Kshs.49,182,760.15 in respect of consultancy services for preparation of preliminary design, tender documents, safeguards for environmental and social impact assessment (ESIA) and resettlement action plans (RAP) reports and construction supervision of Mwache Water treatment plant, and kshs.41,860,520.80 for consultancy services for preparation of detailed designs, tender documents, safeguards (ESIA AND RAP) reports and construction supervision of Mwache dam transmission pipelines and associated terminal reservoirs. However, the water treatment plant and the transmission pipelines had delayed and may not be completed within the contract deadline of 19 December, 2025 and 30 September, 2024 respectively. The delay was explained to have been necessitated to allow the completion of the Dam to avoid running the Water Treatment plant when there is no production. In addition, an expenditure of Kshs.68,838,368 was incurred for Emergency Works for Increasing Water availability in Likoni. Review of the project site minutes in respect of the project noted that there was slow progress in project implementation that Management attributed to cashflow problems.

In the circumstances, delays in project implementation may lead to cost overruns.

2. Lack Motor Vehicles Ownership Documents

The statement of receipts and payment reflects payments for acquisition of non-financial assets amounting to Kshs.318,922,083. The expenditure includes a payment of Kshs.68,838,368 to a contractor which in turn include an interim payment certificate No. 3 which was a direct payment of Kshs.9,034,000 for purchase of two (2) vehicles registration numbers KDL 279G and KDL 280G. However, insurance documents provided for audit indicated that the vehicles were not insured in joint ownership as per the contract signed with the contractor. Explanation by Management that the vehicles will be registered jointly on expiry of the contract was not satisfactory as it was contrary to the signed agreement. Further, the logbook in support of ownership of one vehicle was not provided for audit review and the vehicle was not physically available, hence, its existence could not be confirmed.

In the circumstances, the expenditure of Kshs.9,034,000, existence and ownership of the vehicles could not be confirmed, raising doubt of the value for money.

3. Special Accounts Statement

The statement reflects an amount of Euro 2,000,000 (approximately Kshs.233,400,000) reflected under amounts withdrawn and not yet claimed, whose expenditure returns had not been submitted to The National Treasury as at 30 June, 2023. Failure by the Implementing Agency to submit expenditure returns since the previous financial year is contrary to the financing agreement.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 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 comply 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform

the audit to obtain assurance about whether effective processes and systems of internal controls, 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 the 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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls 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 Project's policies and procedures may deteriorate.

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

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

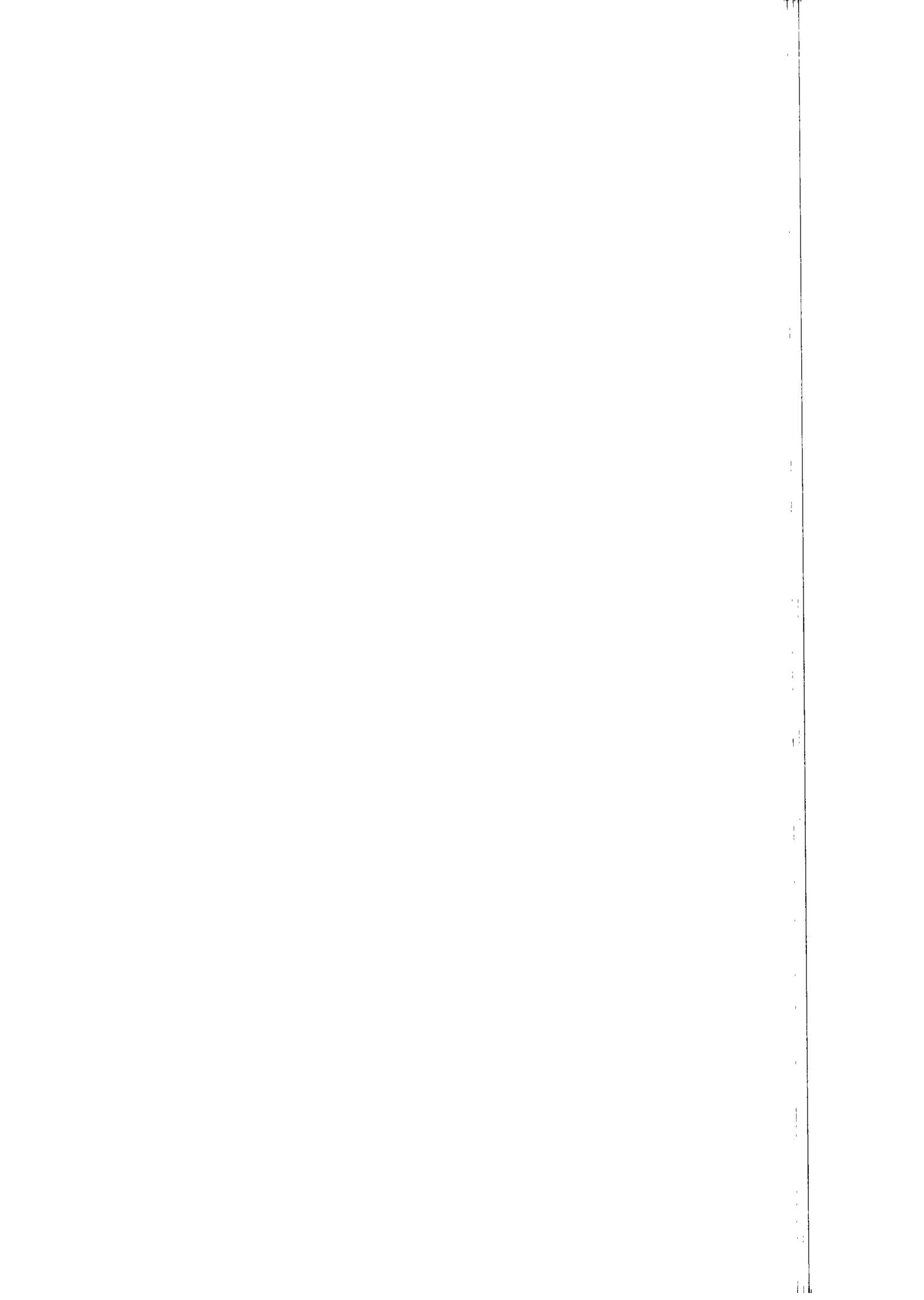
I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide the Management with a statement that I have complied with relevant ethical requirements regarding independence and 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

30 October, 2023



6. Statement of Receipts and Payments for the Year Ended 30th June 2023.

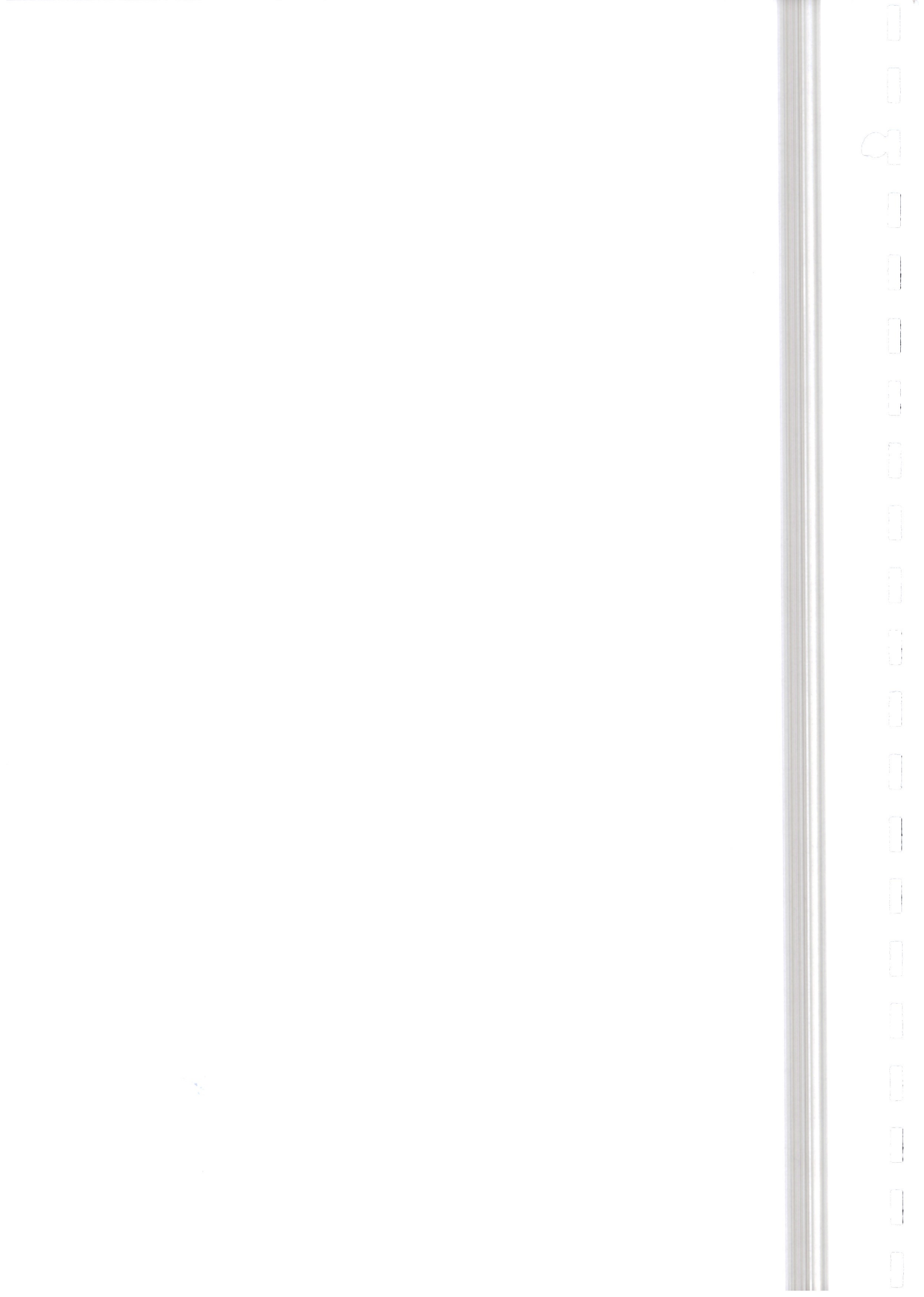
Notes	2022/2023		2021/2022		Total	Receipts and Payments Controlled by the Entity	Payments made by third parties	Total	Kshs Cumulative to-date (From inception)
	Receipts and Payments Controlled by the Entity	Payments made by third parties	Receipts and Payments Controlled by the Entity	Payments made by third parties					
RECEIPTS									
1	50,000,000	-	50,000,000	176,480	50,176,480	176,480	-	176,480	66,176,480
2	-	-	-	-	-	-	-	-	11,620,068
3	-	31,445,674	31,445,674	243,657,000	345,102,674	243,657,000	107,856,176	351,513,176	400,853,423
4	-	-	-	-	-	-	-	-	-
TOTAL RECEIPTS	50,000,000	31,445,674	81,445,674	243,833,480	81,445,674	243,833,480	107,856,176	351,689,656	478,649,971
PAYMENTS									
5	-	-	-	-	-	-	-	-	-
6	2,091,768	-	2,091,768	352,960	2,091,768	352,960	-	352,960	9,228,629
7	-	-	-	-	-	-	-	-	-
8	287,476,409	31,445,674	318,922,083	-	318,922,083	-	107,856,176	107,856,176	465,287,303
9	-	-	-	-	-	-	-	-	-
10	51,021	-	51,021	6,705	51,021	6,705	-	6,705	72,631
TOTAL PAYMENTS	289,619,198	31,445,674	321,064,872	359,665	321,064,872	359,665	107,856,176	108,215,841	474,588,563
SURPLUS/(DEFICIT) FOR THE YEAR	(239,619,198)	0.00	(239,619,198)	243,473,815	(239,619,198)	243,473,815	-	243,473,815	4,061,408

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

.....
 Eng. Martin Tsuma
 Chief Executive Officer
 EBK No. A4132

.....
 Eng. David Kanui
 Project Coordinator
 EBK No. A3232

.....
 CPA Shee Kibibi
 Project Accountant
 ICPAK Member No:2132



7. Statement of Financial Assets as at 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	11.A	4,061,408	243,680,606
Cash Balances	11. B	-	-
Cash equivalents (Short-term deposits)	11.C	-	-
Total Cash and Cash Equivalents		4,061,408	243,680,606
Accounts Receivable(Imprest & Advances)	12	-	-
Total Financial Assets		4,061,408	-
Financial Liabilities			
Deposits and Retention monies	13	-	-
Net Assets			
Represented By			
Fund Balance B/fwd.	14	243,680,606	206,791
Prior Year adjustments	15	-	-
Surplus/(Deficit) for the Year		(239,619,198)	243,473,815
Net Financial Position		4,061,408	243,680,606

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23rd / 10th / 2023 and signed by:

.....
Eng. Martin Tsuma
Chief Executive Officer
EBK No. A4132

.....
Eng. David Kanui
Project Coordinator
EBK No. A3232

.....
CPA Shee Kibibi
Project Accountant
ICPAK Member No:21329



*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the Financial Year Ended June 30, 2023*

8. Statement of Cash flow for the Year Ended 30th June 2023

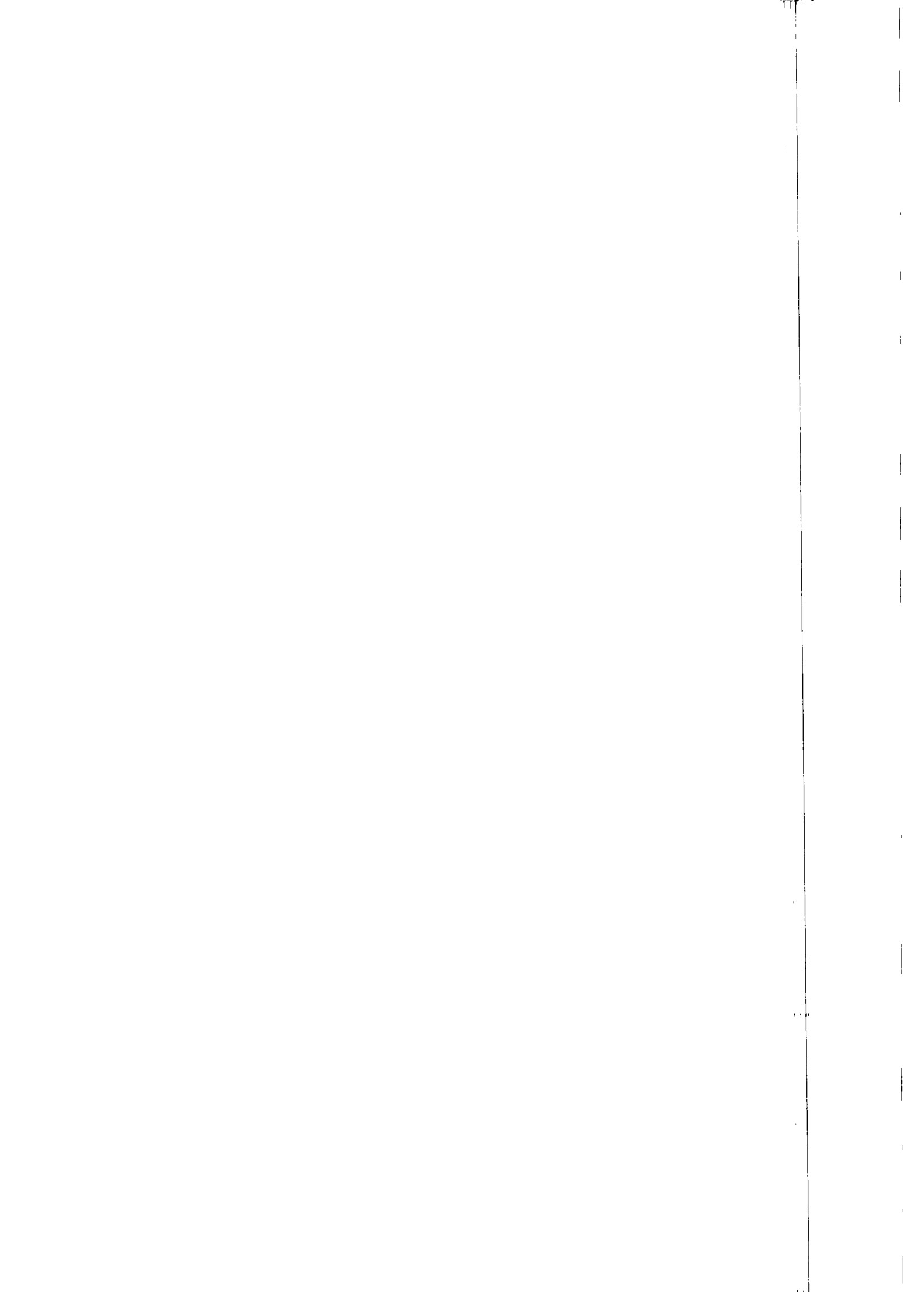
Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	50,000,000	176,480
Proceeds from domestic and foreign grants	2	-	
Miscellaneous receipts	4	-	
Total receipts		50,000,000	176,480
Payments			
Compensation of employees	5	-	
Purchase of goods and services	6	2,091,768	352,960
Social security benefits	7	-	
Transfers to other government entities	9	-	
Other grants and transfers	10	51,021.00	6,705
Total Payments		2,142,789	359,665
Adjustments during the year			
Prior year adjustments	15	-	-
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
Net cash flow from operating activities		-	
Cashflow from investing activities			
Acquisition of non-financial assets	8	47,857,211	(183,185)
		(287,476,409.10)	
Net cash flows from investing activities		(287,476,409.10)	-
Cash flow from financing activities			
Proceeds from foreign borrowings	3	-	243,657,000
Net cash flow from financing activities		-	243,657,000
Net increase in cash and cash equivalents		(239,619,198)	243,473,815
Cash and cash equivalent at beginning of the year	11	243,680,606	206,791
Cash and cash equivalent at end of the year	11	4,061,408	243,680,606

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 23rd / 10 / 2023 and signed by:

.....
Eng. Martin Tsuma
Chief Executive Officer
EBK No. A4132

.....
Eng. David Kanui
Project Coordinator
EBK No. A3232

.....
CPA Shee Kibibi
Project Accountant
ICPAK Member No:21329



9. 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	Budget utilisation Difference e=d-c	% of Variance f=e/c
Receipts						
Transfer from Government entities	250,000,000	(62,500,000)	187,500,000	50,000,000	(137,500,000)	-73%
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	1,532,000,000	(821,903,136)	710,096,864	31,445,674	(678,651,190)	-96%
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	1,782,000,000	(884,403,136)	897,596,864	81,445,674	(816,151,190)	-91%
Payments						
Compensation to employees	-	-	-	-	-	-
Purchase of goods and services	2,091,768	-	2,091,768	2,091,768	-	0%
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets	318,922,083	-	318,922,083	318,922,083	-	0%
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	51,021	-	51,021	51,021	-	0%
Total Payments	321,064,872	-	321,064,872	321,064,872	-	0%
Surplus or Deficit	1,460,935,128	-	576,531,992	(239,619,198)	(816,151,190)	-142%

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

.....
 Eng. Martin Tsuma
 Chief Executive Officer
 EBK No. A4132

.....
 Eng. David Kanui
 Project Coordinator
 EBK No. A3232

.....
 CPA Shee Kibibi
 Project Accountant
 ICPAK Member No:21329



10. Significant Accounting Policies

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

10.1 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.

10.2 Reporting Entity

The financial statements are for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project under the CWWDA. The financial statements are for the reporting entity (CWWDA) implementing the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project as required by Section 81 of the PFM Act, 2012.

10.3 Reporting Currency

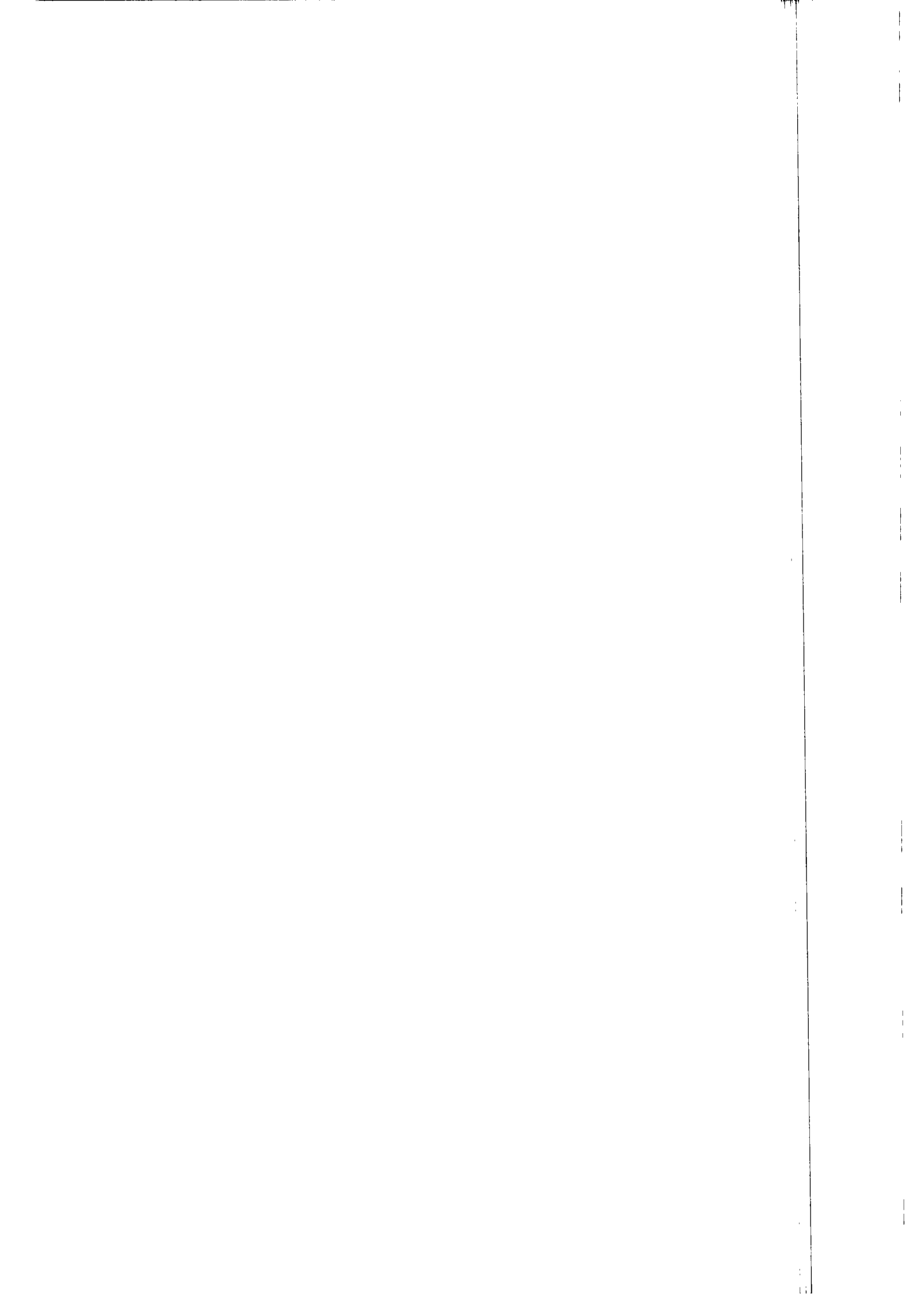
The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 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.



Significant Accounting Policies (Continued)

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.

10.5 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.

3

Significant Accounting Policies (Continued)

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.

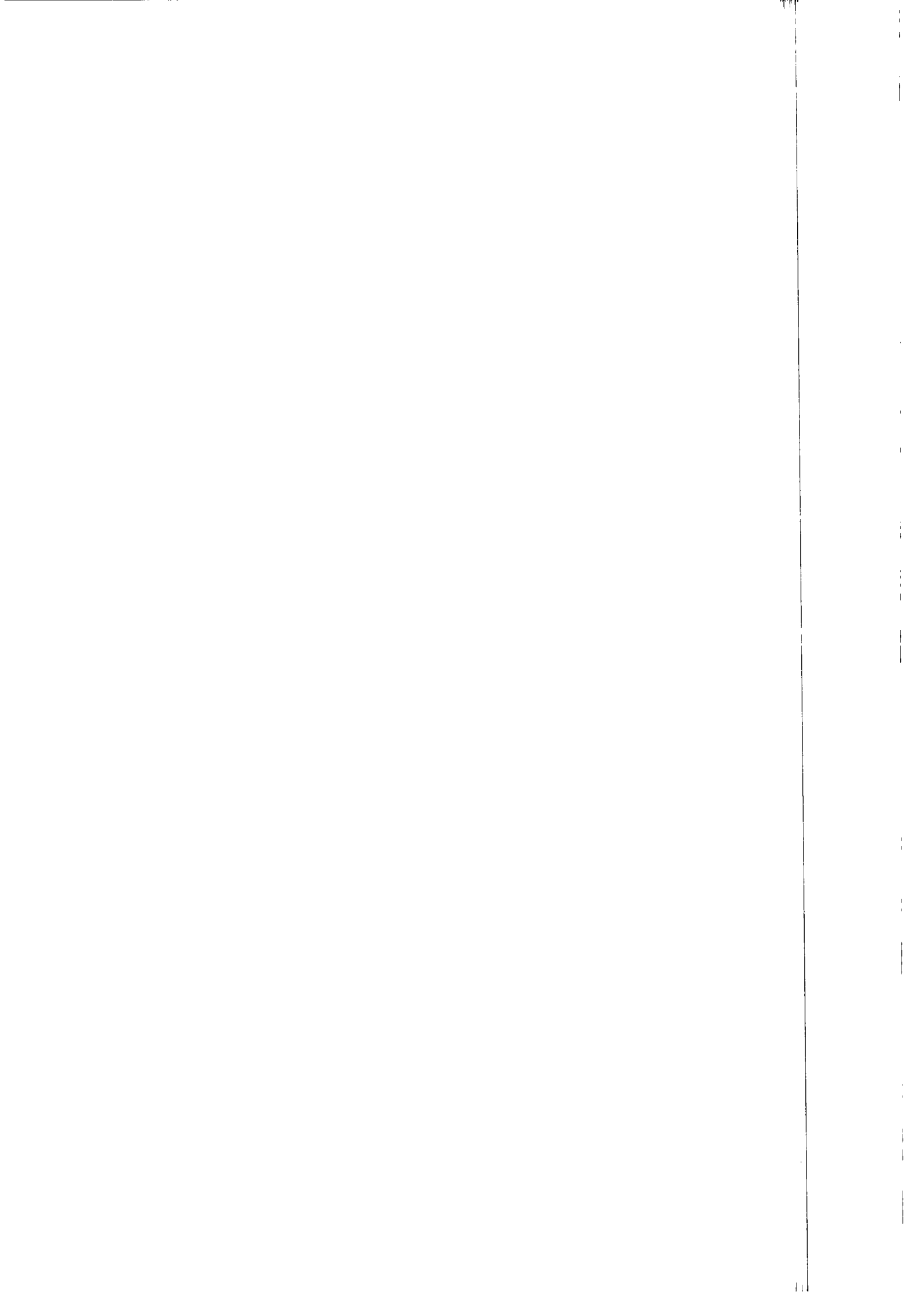
v) Acquisition of Fixed Assets

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.

10.6 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.



Significant Accounting Policies (Continued)

10.7 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.

10.8 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.

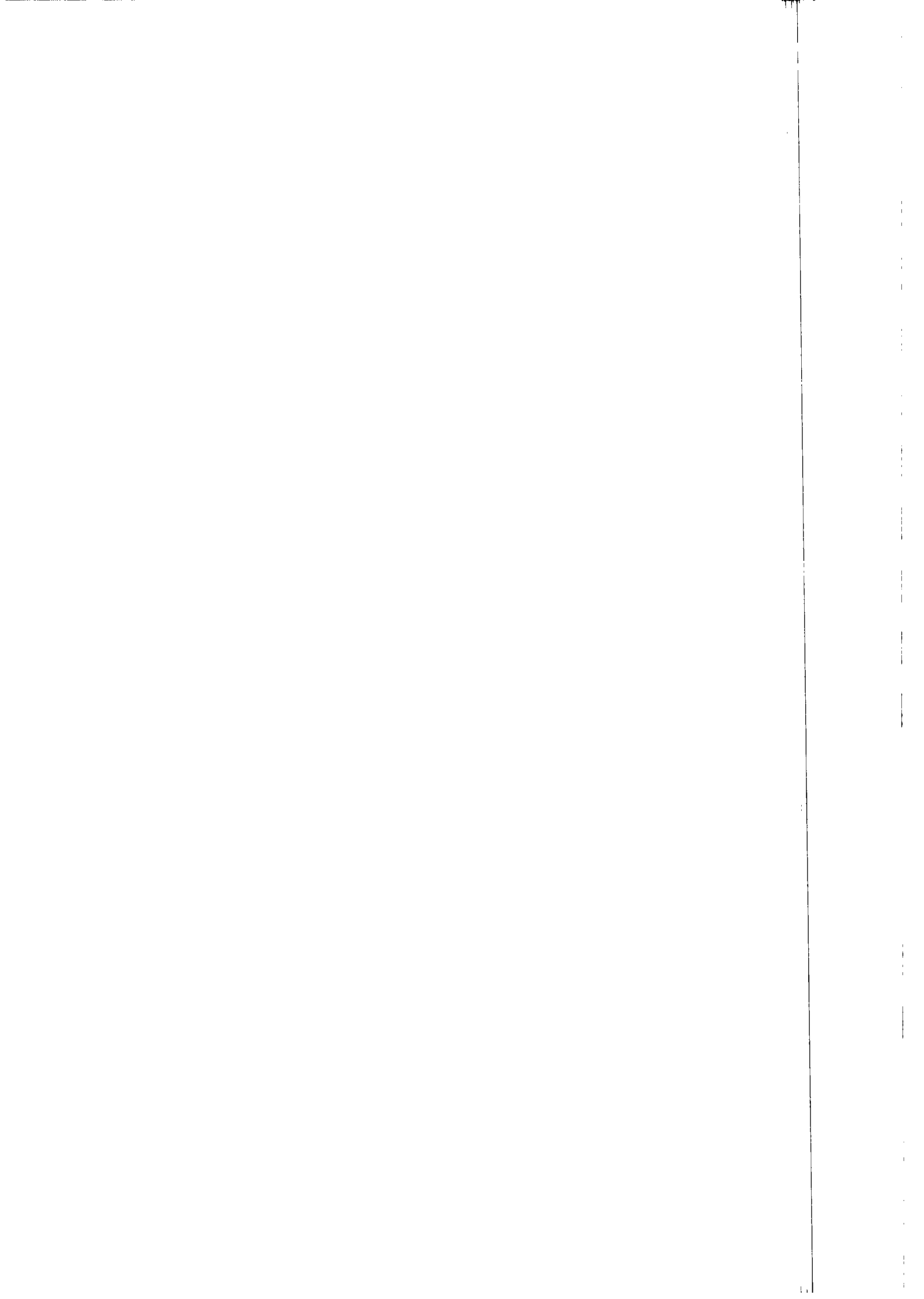
10.9 Imprests and Advances

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.

10.10 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:



Significant Accounting Policies (Continued)

- 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,

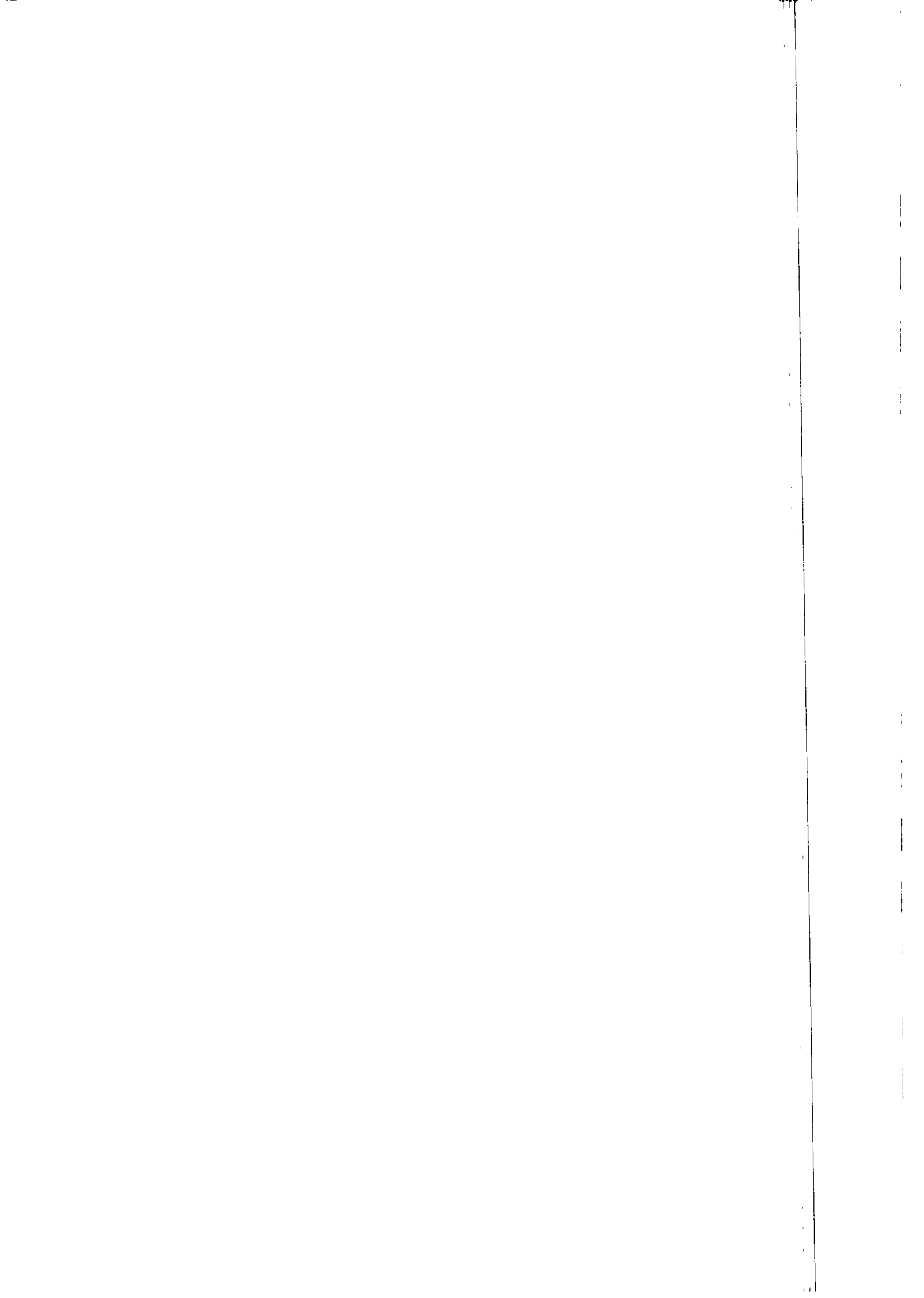
The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

10.11 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.

10.12 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.



Significant Accounting Policies (Continued)

10.13 Budget

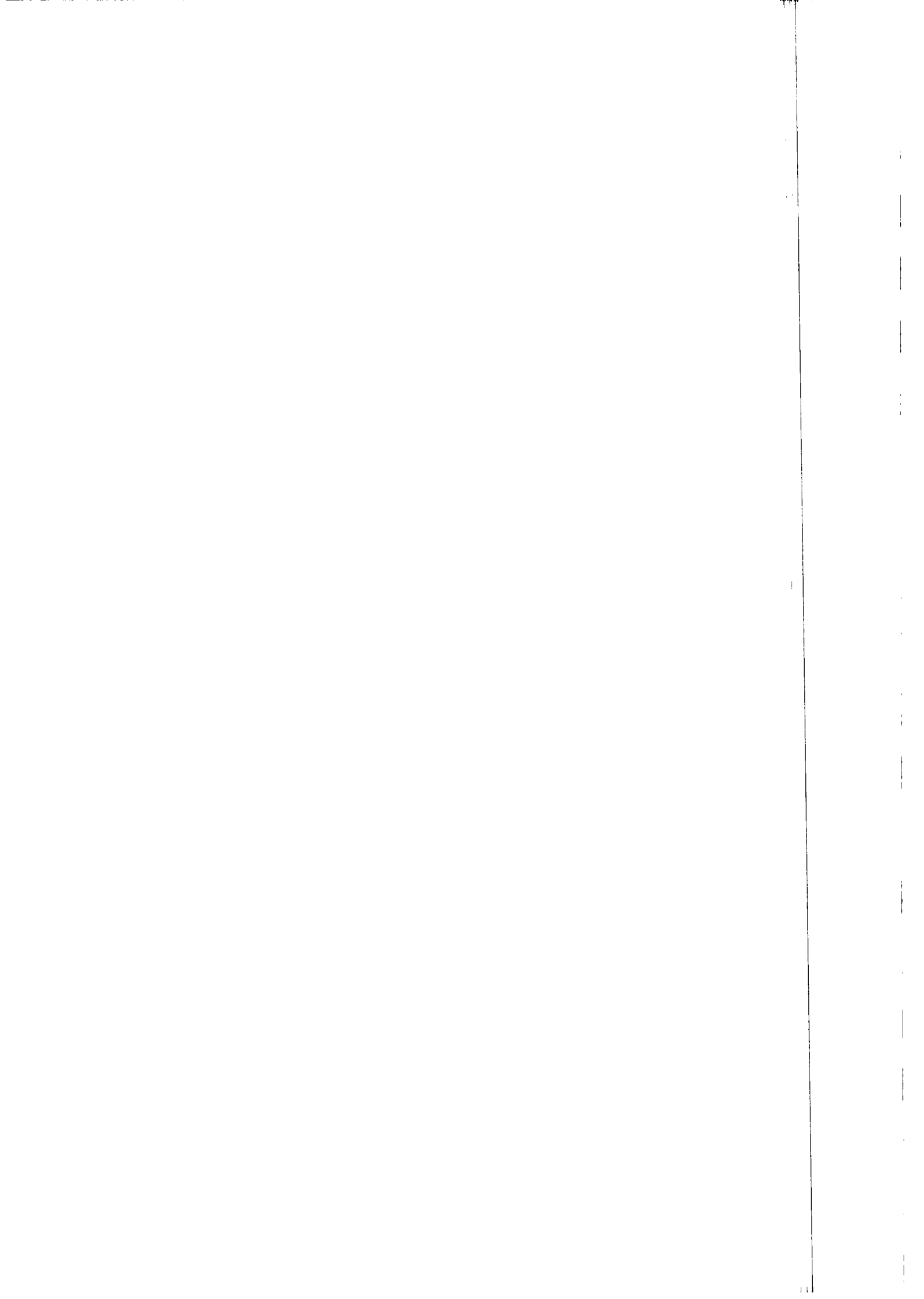
The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial 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*.

10.14 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, Kshs 31 million being loan disbursements were received in form of direct payments from third parties.

10.15 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.



Significant Accounting Policies (Continued)

10.16 Comparative Figures

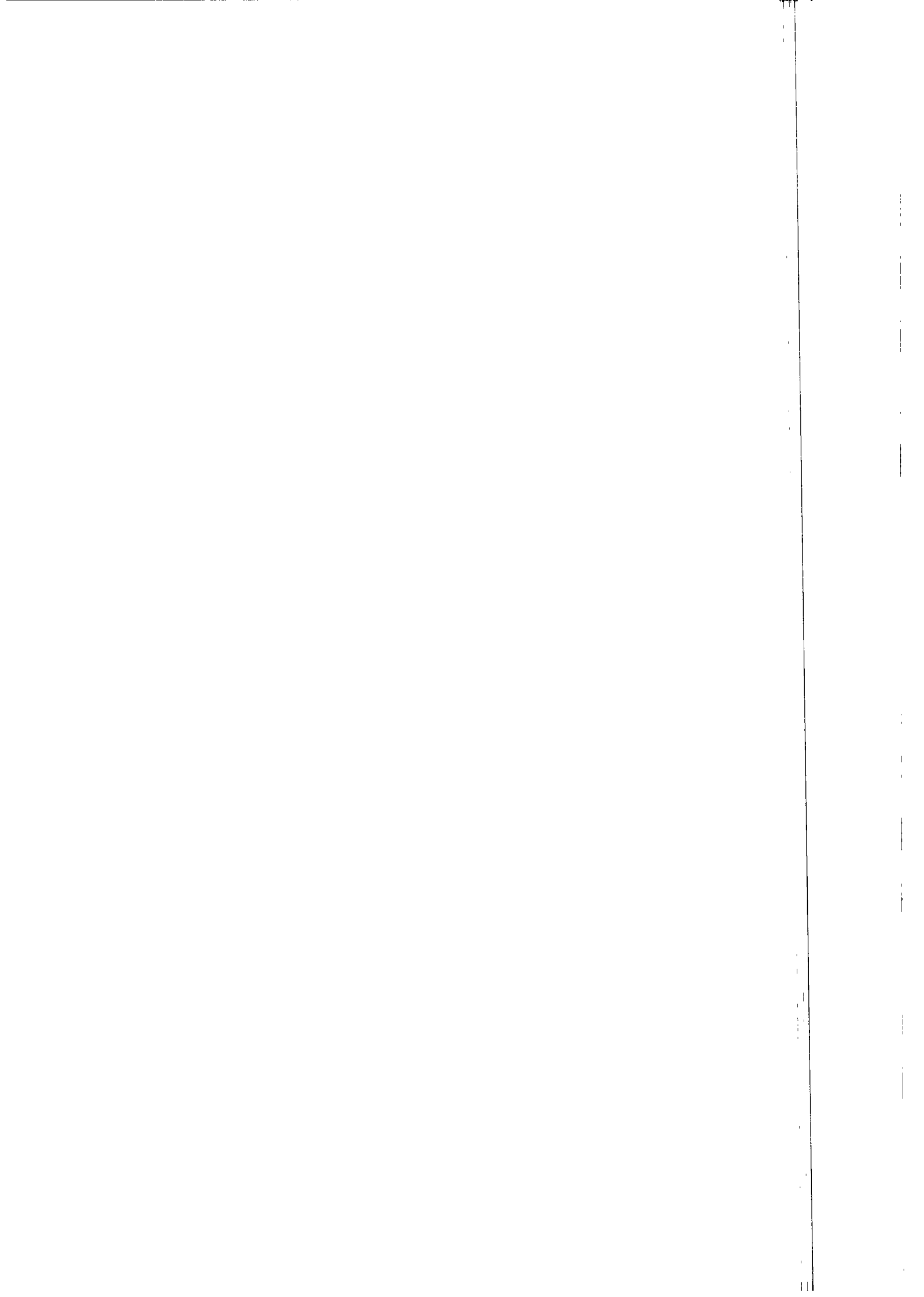
Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

10.17 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.

10.18 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 15 of these financial statements*



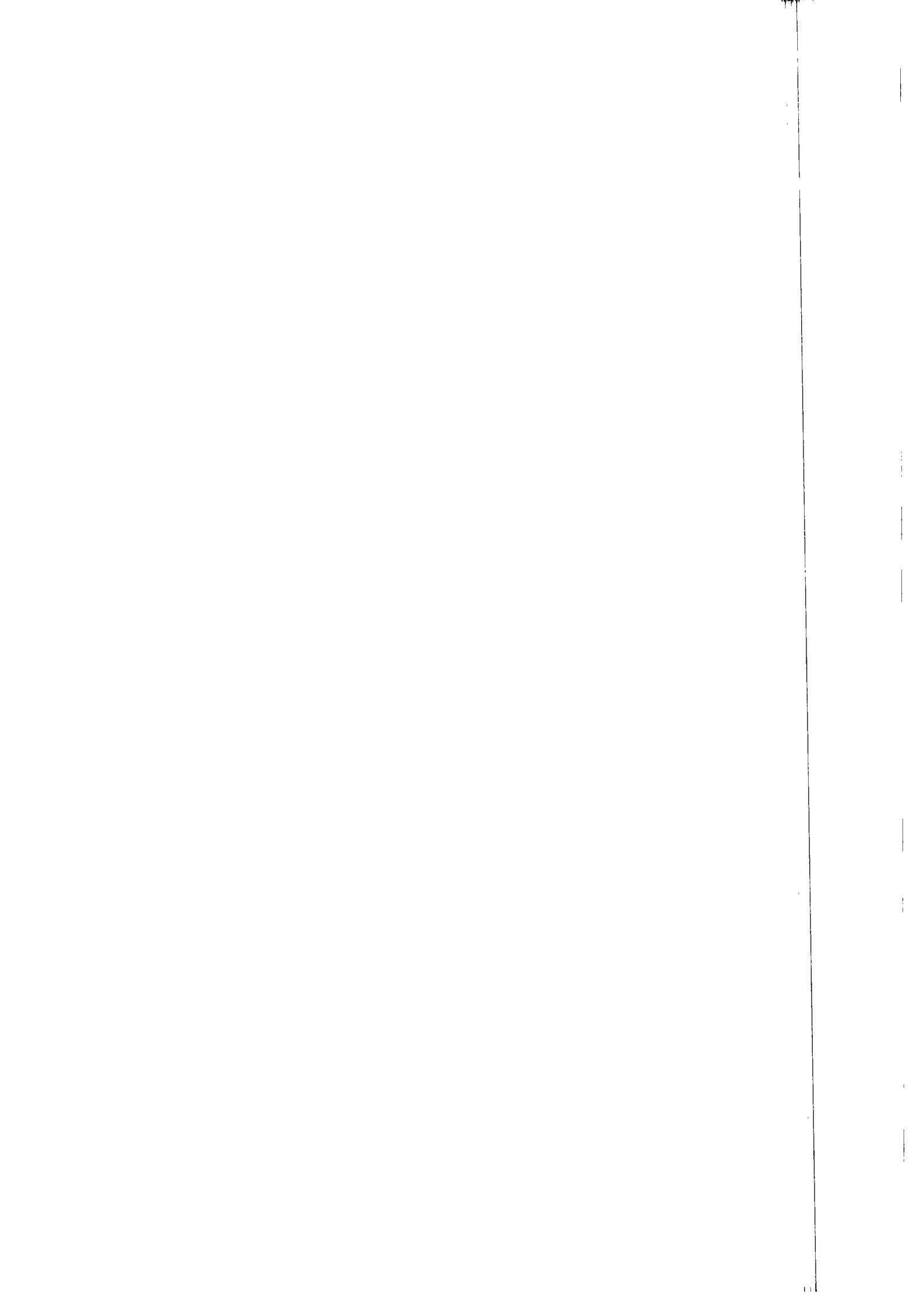
11. Notes to the Financial Statements

1. Transfers from Government Entities

The project is fully financed by the donor. The government provide funds for V.A.T and land compensation. During the period under review the project received Kshs. 50,000,000 towards payment of taxes and other operating expenses.

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, there were no grants received from the donor.



Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

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

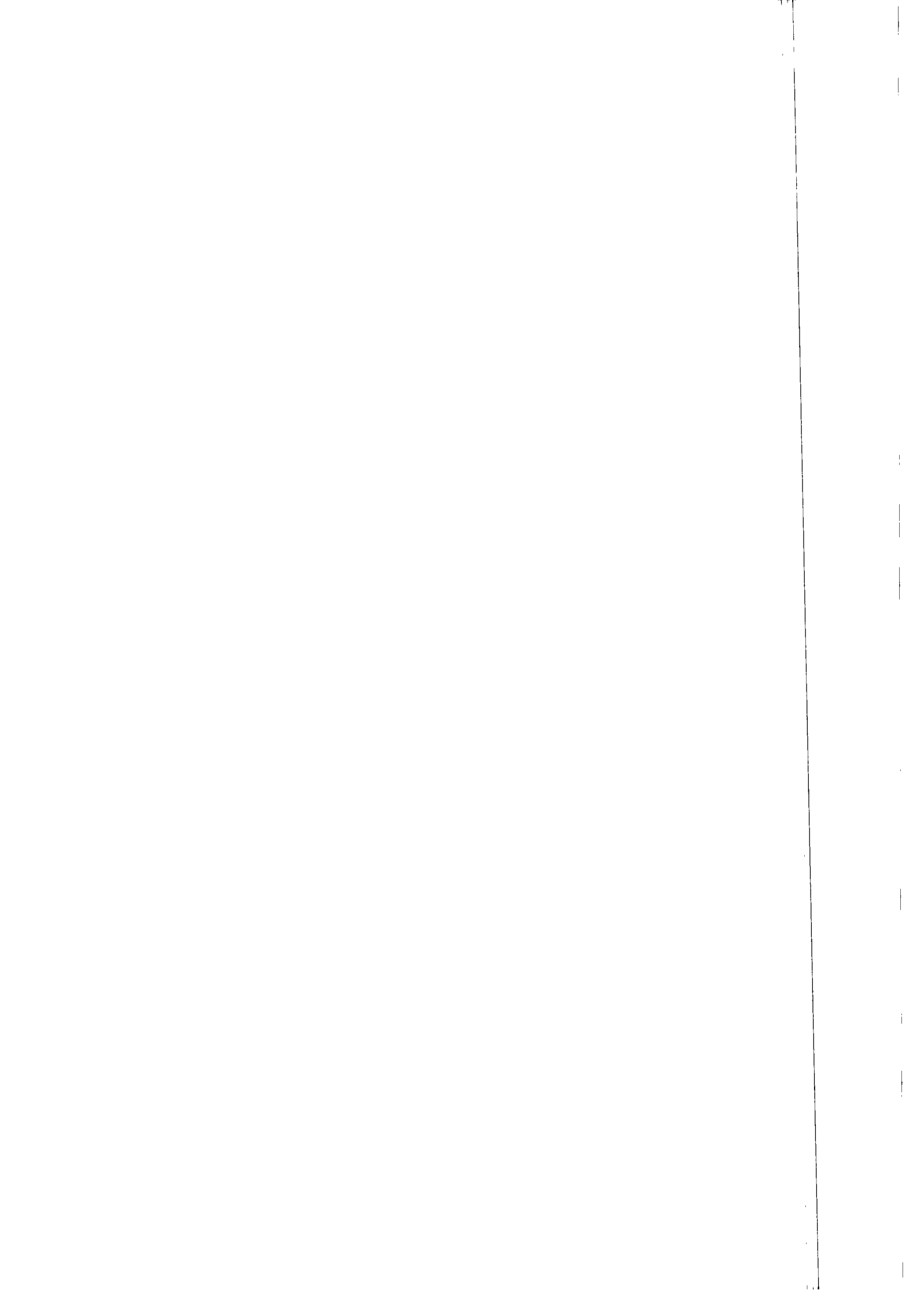
Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amounts in Kshs							
					EUR	Kshs	Kshs	2022/2023	2021/2022	2020/2021	2019/2020	
Loans received from bilateral Donors (Foreign Governments)												
Insert name of foreign Government												
Insert name of foreign Government												
Loans received from Multilateral Donors (International Organizations)												
AFD	2019/2020	-	-	-	-	-	-	-	-	-	-	-
AFD	2020/2021	137,264	-	17,894,572	-	-	17,894,572	-	-	-	-	-
AFD	2021/2022	2,842,442	243,657,000	107,856,176	-	-	351,513,176	-	-	-	-	-
AFD	2022/2023	235,418	-	31,445,674	-	31,445,674	-	-	-	-	-	-
TOTAL	-	3,215,124	243,657,000	157,196,423	31,445,674	351,513,176	17,894,572	31,445,674	351,513,176	17,894,572	-	-

4. Miscellaneous Receipts

There were no miscellaneous receipts received by the project during the year under review.

5. Compensation to Employees

There was no expenditure on compensation of employees because all project staff are CW/WDA employees.



Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

	2022/2023			2021/2022			Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Payments made in Cash	Payments made by third parties	Total payments	
Utilities, supplies and services	-	-	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-	-	-
Domestic travel and subsistence	1,303,600.00	-	1,303,600.00	-	-	-	1,690,000
Foreign travel and subsistence	-	-	-	-	-	-	-
Printing, advertising, and information supplies	-	-	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-	-	-
Training payments	-	-	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-	-	-
Insurance costs	-	-	-	-	-	-	-
Specialized materials and services	-	-	-	-	-	-	-
Other operating payments	765,269.40	-	765,269.40	352,960	-	352,960	7,515,731
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-	-	-
Routine maintenance- other assets	-	-	-	-	-	-	-
Exchange rate losses/gains (net)	22,898.60	-	22,898.60	-	-	-	22,899
Total	2,091,768	-	2,091,768	352,960	-	352,960	9,228,629

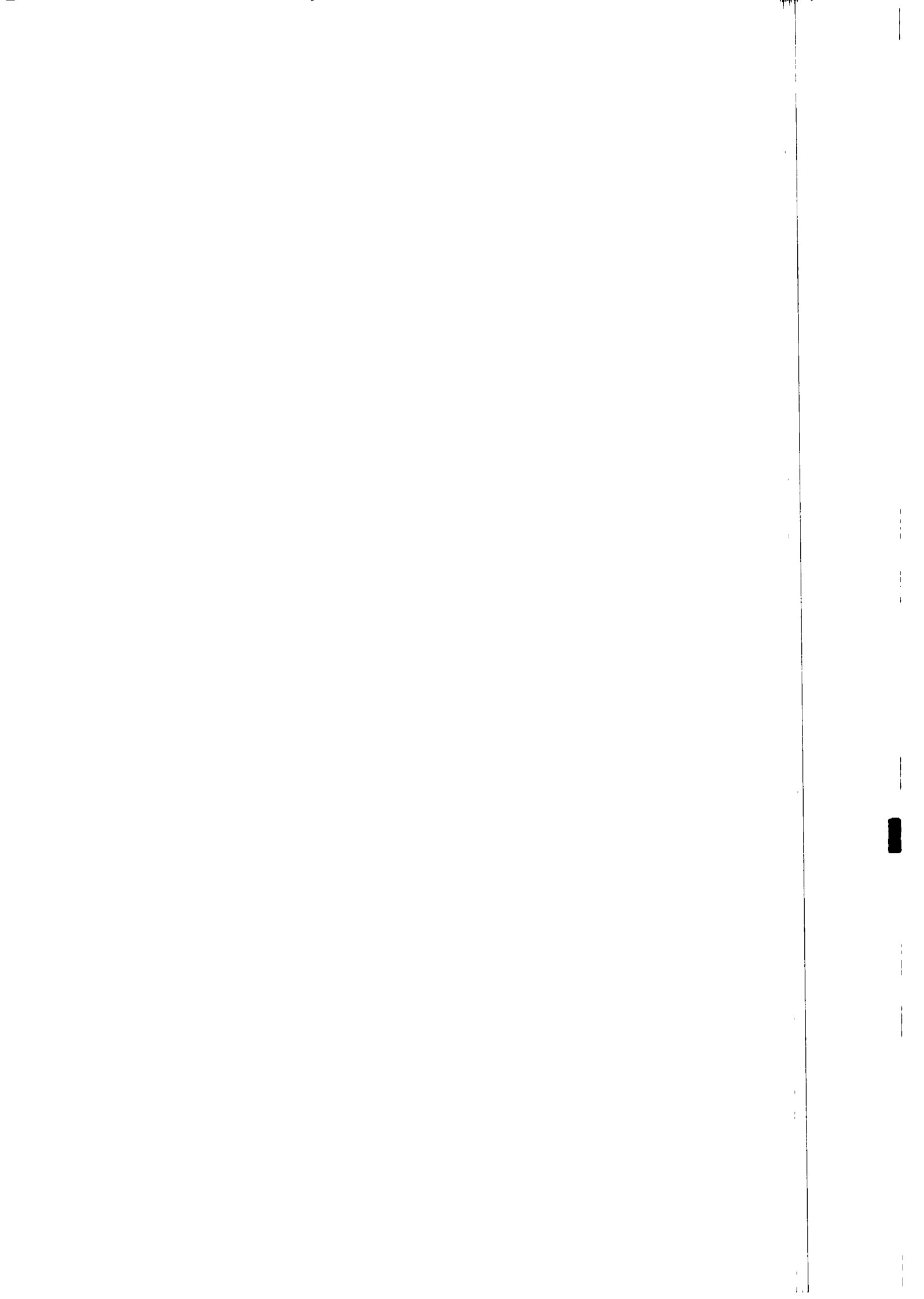
This relates to expenses incurred while running the project, that is during the reporting period Kshs. 2,091,768 was used to cater for water quality monitoring tests for Mwache Dam River, other operating expenditures illustrated above. An amount of Kshs. 22,898.60 is as a result



of a payment done to our consultant which was reversed by the paying bank into the account due to international banking restriction referred as RSN and then later debited and payment successfully done to the consultant and as such incurring foreign exchange loss due to different payment transfer date i.e Kshs 437,093.70 was paid to Ms. Ingerop on the 21st July 2022, the payment was reversed on the 19th Aug 2022 at kshs. 414,195.10 resulting to an exchange loss of Kshs.22,898.60.

7. Social Security Benefits

All social security benefits for employees are catered for by Coast Water Works Development Agency



Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments	Payments made in Cash	Payments made by third parties	Total payments	Payments made by third parties	Total payments	Cumulative to-date
	Kshs.	Kshs.	Kshs	Kshs.	Kshs.	Kshs	Kshs.	Kshs	Kshs
	2022-2023			2021-2022					
Purchase of buildings	-	-	-	-	-	-	-	-	-
Construction of buildings	-	-	-	-	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-	-	-	-	-
Construction of roads	-	-	-	-	-	-	-	-	2,321,110
Construction of civil works	68,838,367.80	-	68,838,367.80	-	-	-	38,130,757	38,130,757	106,969,125
Overhaul & refurbishment of construction and civil works	-	-	-	-	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	-	-	-	-	-
Overhaul of vehicles & other transport equipment	-	-	-	-	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-	-	-	-	-
Purchase of office furniture & general equipment	-	-	-	-	-	-	-	-	-
Purchase of specialised plant, equipment and machinery	-	-	-	-	-	-	-	-	-
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-	-	-	-	-
Purchase of certified seeds,	-	-	-	-	-	-	-	-	-

3

	2022-2023		2021-2022		Total payments	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Payments made in Cash	Payments made by third parties		
breeding stock and live animals	-	-	-	-	-	-
Research, studies, project preparation, design & supervision	218,638,041.30	31,445,674.36	-	69,725,419	69,725,419	355,997,068
Rehabilitation of civil works	-	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-	-
Acquisition of land	-	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-	-
Total	287,476,409.10	31,445,674.36	318,922,083.46	107,856,176	107,856,176	465,287,303

During the period under review, an amount of Kshs. 31,445,674.36 was paid through direct payment mode, this amount is for the Consultancy for long term technical assistance for Coast Water Works Development Agency.



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Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

During the 12 months to 30 June 2023, there were no transfer of funds to other reporting government entities

10. Other Grants, Transfers and Payments

During the 12 months to 30 June 2023 other transfer of grants and payments was Kshs 51,021 which relates to bank charges for the Project Account.

	Payments made in Cash	Payments made by third parties	Total payments	Payments made in Cash	Payments made by third parties	Total payments	Cumulative to-date
	2022-2023			2021-2022			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships	-	-	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-	-	-
Miscellaneous payments	51,021	-	51,021	6,705	-	6,705	21,610
Total	51,021	-	51,021	6,705	-	6,705	21,610

11. Cash and Cash Equivalents

Description	2022-2023	2021-2022	2020-2021	2019-2020
	Kshs	Kshs	Kshs	Kshs
Bank accounts (Note 8.13A)	4,061,408	243,680,606	206,791	9,854,641
Cash in hand (Note 8.13B)				
Cash equivalents (short-term deposits) (Note 8.13C)		-	-	-
Total	4,061,408	243,680,606	206,791	9,854,641

The Project has one (1) project account spread within the project implementation area and one (1) of foreign currency Designated Accounts (DA) in the Central bank of Kenya (CBK) managed by the National Treasury as listed below:



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11. A Bank Accounts

Project Bank Accounts

Details	2022/2023	2021/2022
	Kshs	Kshs
KCB Bank Balances for Project Account 124-021-9660	<u>4,061,408</u>	<u>243,680,606</u>
		-

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 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.

Special Deposit Accounts Movement Schedule

There were no funds in the Project's Special Deposit Account(s) as at 30th June 2023

11 B Cash in Hand

The Project did not have any cash in hand.

11 C Cash Equivalents (short-term deposits)

The Project did not have any short-term deposits.

12. Imprests and Advances

The Project did not have any outstanding imprest and advances.

12b: Breakdown of Imprests and Advances

This was not applicable as the project did not have any outstanding imprests and advances.

13. Deposits and Retention Monies

There were no deposits and retentions during the year under review.

14. Fund Balance Brought Forward

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank accounts	4,061,408	243,680,606
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances		
Total	4,061,408	243,680,606



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15. Prior Year adjustment

There were no prior year adjustments during the reporting period.

16. Changes in Receivable

There were no Changes in Account Receivable.

17. Changes in Accounts Payable

There were no changes in Account Payable

12. Other Important Disclosures

1. Pending Accounts Payable (See Annex 3a)

	Balance B/F FY 2021/2022	Additions for the period	Paid during the year	Balance C/F FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	
Construction of civil works	-	-	-	
Supply of goods	-	-	-	
Supply of services	10,248,815	-	-	10,248,815
Total	10,248,815	-	-	10,248,815

	Balance b/f FY 2021/2022	Additions for the period	Paid during the year	Balance c/f FY 2022/2023
Description	EUR	EUR	EUR	EUR
Construction of buildings				
Construction of civil works				
Supply of goods				
Supply of services	276,230	-	-	276,230
Total	276,230	-	-	276,230



2. Pending Staff Payables (See Annex 3b)

There were no pending staff payables.

3. Other Pending Payables (See Annex 3c)

There were no pending bills by 30th June 2023.

4. External Assistance

There were no external assistance in the year.

a) External Assistance Relating Loans and Grants

Not applicable as there are no external assistance.

b) Undrawn External Assistance

Not applicable as there are no external assistance.

c) Classes of Providers of External Assistance

Not applicable as there are no external assistance.

Other Important Disclosures (Continued)

d) Non-monetary External Assistance

Not applicable as there are no external assistance.

e) Purpose and Use of External Assistance

Not applicable as there are no external assistance.

f) External Assistance paid by Third Parties on Behalf of (the Entity) by Source

Not applicable as there are no external assistance.



**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
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13. Prior Year Auditor-General's Recommendations

There were no prior year Auditor General's Recommendations.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Unreconciled and unexplained variance between the project's Financial Statements and Special Accounts Statement Figures	The Project Special Account Statement was provided and indicated a NIL balance as at closure of the Financial Year.	Resolved	
2	Accounts Receivable-Undisclosed Outstanding Imprests	Imprests and surrenders for Mwache Water Quality tests were provided, and were disclosed in the institutional Financial Statements.	Resolved	



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14. Annexes

Annex 1 - Variance Explanations - Comparative Budget and Actual amounts for FY 2022-2023

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	187,500,000	50,000,000	137,500,000	27%	There were delays in GOK funds disbursements, as at end of FY 2022/2023 only a quarter of the budgeted amount was received. These funds were used to undertake Water Quality Tests and other operational expenditures
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	710,096,864	31,445,674	678,651,190	4%	The low absorption was due to delays in funds disbursements and also slow processing of direct payment.
Miscellaneous receipts			-	-	
Total Receipts	897,596,864	81,445,674	816,151,190	9%	The low absorption was due to delays in funds disbursements and also slow processing of direct payment.
Payments					
Compensation of employees					
Purchase of goods and services	2,091,768	2,091,768	-	100%	
Social security benefits			-	-	
Acquisition of non-financial assets	318,922,083	318,922,083	-	100%	
Transfers to other government entities			-	-	
Other grants and transfers	51,021	51,021	-	100%	
Total payments	321,064,872	321,064,872	-	100%	



**Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
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Annex 2: Reconciliation of Inter-Entity Transfers

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Name:		Improvement of Drinking Water and Sanitation Systems in Mombasa		
Break down of transfers from the State Department of Water and Sanitation & Irrigation (Kshs)				
A.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	GOK	08.2.2023	50,000,000.00	22-23
		Total	50,000,000.00	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	SEURECA IPC 3	4.7.2022	8,036,491	22-23
	SEURECA IPC 4	5.7.2022	9,620,040	22-23
	SEURECA IPC 7	10.5.2023	13,789,143	22-23
		Total	31,445,674	
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
		Total	-	
		Total (A+B+C)	81,445,674	

Project Coordinator
Coast Water Works Development Agency

Sign  -----

Head of Accounting Unit
Ministry of Water & Sanitation

Sign-----

9

*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
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Annex 3a - Analysis of Pending Bills

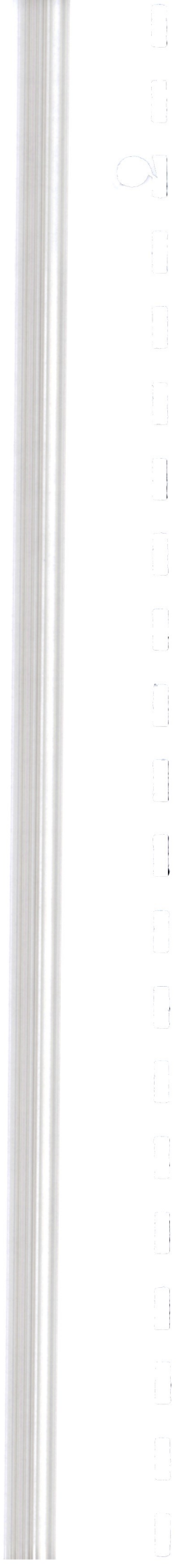
Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2022-2023	Outstanding Balance 2021/2022	Comments
	a	b	c	d=a-c		
Supply of services						
Mangat IPC 5	31,380.32	18.11.2022	-	31,380.32	-	Outstanding Amount was due to delays in funds disbursements
Artelia IPC 5	23,417.50	18.11.2022	-	23,417.50	-	Outstanding Amount was due to delays in funds disbursements
Ingerop IPC 12	6,156.12	25.11.2022	-	6,156.12	-	Outstanding Amount was due to delays in funds disbursements
Ingerop IPC 14	4,882.40	16.2.2023	-	4,882.40	-	Outstanding Amount was due to delays in funds disbursements
Seureca IPC 8	106,226.00	5.6.2023	-	106,226.00	-	Submitted to MWSI for direct payment
Seureca IPC 9	104,168.00	5.6.2023	-	104,168.00	-	Submitted to MWSI for direct payment
Sub-Total	276,230.34		-	276,230.34	-	
Grand Total	276,230.34			276,230.34	-	



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Annex 3a - Analysis of Pending Bills

Supplier of Goods or Services	Original Amount (KSHS)	Date Contracted	Amount Paid To-Date (KSHS)	Outstanding Balance 2022-2023 (KSHS)	Outstanding Balance 2021/2022	Comments
	a	b	c	d=a-c		
Supply of services						
Artelia & Mangat IPC 5	656,831.00	18.11.2022	-	656,831.00	-	Outstanding Amount was due to delays in funds disbursements
Ingerop IPC 15	6,394,655.90	22.5.2023	-	6,394,655.90	-	Outstanding Amount was due to delays in funds disbursements
Ingerop IPC 16	3,197,327.95	24.5.2023	-	3,197,327.95	-	Outstanding Amount was due to delays in funds disbursements
Sub-Total	10,248,814.85		-	10,248,814.85	-	
Grand Total	10,248,814.85			10,248,814.85	-	



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Annex 4 – Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/2023 (a)	Donations in form of assets (KShs) 2022/2023 (b)	*Purchases/ Additions in the Year (KShs) 2022/2023 (c)	**Disposals in the Year (KShs) 2022/2023 (d)	Transfers in/(out) Kshs 2022/2023 (d)	Closing Cost (KShs) 2022/2023 (e)= (a)+ (b)+c)-(d)+(-)d
Land						-
Buildings and structures						-
Transport equipment						-
Office equipment, furniture and fittings						-
ICT Equipment,						-
Other Machinery and Equipment						-
Heritage and cultural assets						-
Biological assets						-
Infrastructure assets roads, rails						-
Intangible assets						-
Work in Progress	38,130,757	-	68,838,368			106,969,125
Total	38,130,757	-	68,838,368	-	-	106,969,125



Annex 5: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2023
- iii. Special Deposit Account(s) reconciliation statement(s)



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