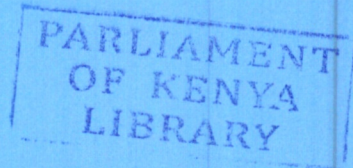




Enhancing Accountability

REPORT

OF



THE AUDITOR-GENERAL

ON

**NORTHERN COLLECTOR PHASE 1 AND
ADDITIONAL REHABILITATION AND
DEVELOPMENT OF THE NETWORK
PROJECT**

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

**ATHI WATER WORKS DEVELOPMENT
AGENCY**



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 18 FEB 2021	DAY: Thursday
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THE NATIONAL ASSEMBLY
PARLIAMENTS BUILDING

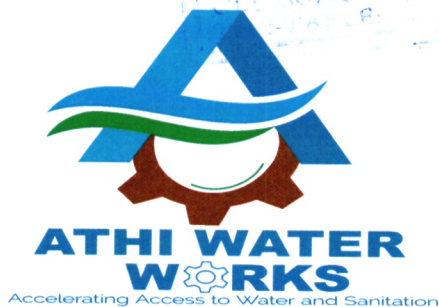
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PROJECT NAME: NORTHERN COLLECTOR PHASE 1: WATER SUPPLY EXTENSION PROJECT AND ADDITIONAL
REHABILITATION AND DEVELOPMENT OF THE NETWORK

[FUNDED BY AGENCE FRANCAISE DE DEVELOPMENT]

Implementing Entity: ATHI WATER WORKS DEVELOPMENT AGENCY

PROJECT CREDIT NUMBER: CK 1074

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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Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network
Reports and Financial Statements
For the financial year ended June 30, 2020

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project official name is Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network

Objective: The key objective of the project is to expand Nairobi water supply capacity in order to address water demand up to the year 2025 by:

- a) Increasing capacities of raw water transfer, treatment and treated water transfer of North Thika
- b) Rehabilitation and expansion of water distribution system of Nairobi
- c) Technical and Administrative strengthening of the water service provider.

Address: The project headquarters offices are in Nairobi, Kenya

The address of its registered office is:

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

Address: The projects headquarter offices are in Hospital Road, Upper hill, Nairobi, Kenya

Contacts: The following are the Project Contacts:

Telephone: (254) 0202724292/3
E-mail: info@awwda.go.ke
Website: www.awwda.go.ke

1.1. Project Information

Project Start Date:	The Project start date is 17 th January 2014
Original Project End Date:	The Project end date was 31-Dec-2018
Revised Project End Date	The Revised Project End date is 31 st December 2020
Project Manager:	The Project Manager is Eng. Joseph Kamau
Project Sponsor:	The Project Sponsor is the Agence Francaise De Development

Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network
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1.2. 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	CK 1074
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access to clean water by 140,000m ³ /day for Nairobi City
Achievement of strategic goals	The project management aims to achieve the goals through the following means: i. Scale up the water transfer, treatment and transport capacity of Nairobi's "North Thika" drinking water supply system ii. Restructure and extend Nairobi's drinking water supply system. iii. Build the operators capacities for the technical and administrative management of the service.
Other important background information of the project	
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>i) Production Component.</p> <p>The water resources Master Plan validated by the Ministerial Meeting of 18th September 2012 provides for six investment phases until the 2030 deadline.</p> <p>The present project corresponds to the second phase, i.e. the development of Nairobi's "North Thika" drinking water supply system (Northern Collector) by financing the following infrastructure:</p> <ul style="list-style-type: none"> ▪ New tunnels and pipes to transfer raw water from the Irati, Gikigie, Maragua and Thika rivers to the existing Ndakaini reservoir or Thika dam; ▪ New pipeline (42 km-long, DN 1,300) to transfer raw water between Ndakaini reservoir (Thika dam) and the new Kigoro treatment plant; ▪ Construction of a new water treatment in Kigoro /Nairobi (treatment capacity of 141,000m³/day); ▪ New pipeline (17km-long, DN 1,000) to transfer treated water between Kigoro plant and the Kabete reservoir to the West of Nairobi. <p>ii) Distribution Component</p> <p>The project will improve the drinking water supply system in the City of Nairobi by rehabilitating and extending the network and developing access to drinking water in informal neighbourhoods. The feasibility study for this component recommends reinforcing or replacing 107km of network with a variable diameter (DN 150 to 800), rehabilitating three pumping stations and building three new reservoirs and pressure control system.</p> <p>The project also comprises operations to connect 180,000 residents in six informal sectors</p>

Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network
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Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation
	on the outskirts of the city. iii) Capacity building Component This component aims to improve the technical and administrative management of the services. It will also concern administrative losses, action targeting large consumers, defective meters, billing, collection and physical losses, thanks to improved pressure control and a systematic search for undetected leaks made possible through continuous distribution
Project duration	The project started on 17th January 2014 and is expected to run until 31-Dec-2020

1.3. BANKERS

Designated Account:

Kenya Commercial Bank
Account No 1156760372

1.4. AUDITORS

Office of the Auditor General
P.O. Box 30084-00100
NAIROBI.

1.5. Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Eng. Joseph Kamau	Project coordinator	B.Sc. Civil Engineer	Project coordinator
Alphaxard Kitheko	Principal Engineer	B.Sc. Civil Engineer	Project Engineer
Ann Gacheri	Principal Procurement officer	MBA	Procurement Officer
Paul Muchai	Principal Accountant	B.com	Project Accountant

1.6. Funding summary

The project duration is six years running from 2014 to 2020 with an approved budget of Euros 100 Million equivalent to about Kshs 11.242 Billion.

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Source of funds	Donor Commitment-		Amount received to date - (30-06-2020)		Undrawn balance to date (30-06-2020)	
	Donor currency in Million Euros	Kshs in Million	Donor currency in Millions	Kshs in Millions	Donor currency in Million Euros	Kshs Millions
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
Proceeds from Loan from Agence Francaise Development	100	11,242	56.82	6,381	43.18	4,849.10

The funding summary is as per the table below:

1.7. Summary of the overall project performance

In the financial year 2019/2020 the project had a budgeted disbursement of Kshs 1.7 Billion. The actual disbursement as at 30th June 2020 was Ksh 747.61 Million. This represents 44% utilisation for the year. The project performance as at 30th June 2020 is as follows:

i) Production Component.

As at 30th June 2020, the following activities had been undertaken

- i. Final designs and construction details of the "design and build" water treatment plant was completed at 98% progress - awaiting completion of the contract for construction of raw and treated water mains to enable the testing of the treatment plant and hand over.

ii) Distribution Component

As at 30th June 2020, the following activities had been undertaken:

- i. Works for the construction of the 50km Ndakaini- Kigoro- Gigiri transmission pipeline continued and laying of an additional 4.25 km of pipes was completed. The project is at 31% completion.

The main challenges experienced in the year included:

- i. Delayed master list approvals
- ii. Delayed RAP implementation

1.8. Summary of Project Compliance:

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

1.9 Summary of Project Compliance:

During the period the project complied with all the relevant laws, regulation and conditions set for the project

2 STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED 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 is to Expand water Capacity for Nairobi City through Construction of the Northern Collector Phase 1 and additional rehabilitation and developments of the networks. This will improve the access to quality water supply in Nairobi City.

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-bund (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 Supported Northern Collector	Expand water Capacity for Nairobi City through Construction of the Northern Collector Phase 1 and additional rehabilitation and developments of the networks	Increased Water coverage of water in Nairobi city	% increase in water coverage in Nairobi City	In FY 19/20 the Water Treatment Plant was completed and 18Km of raw water pipelines from Thika Dam to the treatment plant laid

3 CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

3.1 Sustainability strategy and profile

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

- **Distribution of water tanks;**

AWWDA through the support of the Government of Kenya is addressing the water crisis currently being experienced public schools through supply of branded plastic water tanks. The tanks are 100no. 6,000l water tanks have been distributed to schools within Nairobi, Murang'a and Kiambu counties at a cost of Kshs. 4,988,000.00.

- **Community support activities under the Northern Collector Tunnel Project**

AWWDA has undertaken Community Water Supply Projects under the WaSSIP Programme as follows;

1. Ten Number community water supply projects to establish an additional production of 42,000m³ of water per day to serve over 400,000 people in Muranga, Kigumo, Mathioya and Kiharu. The scope of these projects entails main water supply, whereby the Individual Connections will be installed by Water Service Providers (WSP)
2. Engineer's Project office and Accommodation were constructed of permanent design and will be handed over to the Community upon completion of the Project
3. Two four-wheel drive ambulances purchased under the Project will be handed over to the community after completion of the project.
4. Excavated Spoil material from the Tunnel is being used by the local tea factories for road maintenance. So far, a total of 57,686 Tones has been utilized with a value of approximately Kshs. 90M using delivery rates at site.

- **Tree planting activities under Northern Collector Tunnel Project**

AWWDA has supported conservation of Kaanja Site within the Aberdares water catchment and the surrounding areas in the Northern Collector Tunnel 1 Project. AWWDA planted 5,000 tree seedlings of different species at a ceremony graced by the CS Ministry of Water, Sanitation and Irrigation, several members of parliament, local administration and KFS officials.

- **Tree planting activities under Nairobi Rivers Sewerage Improvement Project**

AWWDA planted a total of 25,225 tree seedlings along the wayleave of the rehabilitation/contrasted sewer lines in order to protect the trunk lines and the riparian areas from encroachment.;

- **Tree planting activities under the Kenya Towns Program**

AWWDA partnered with Kiambu County Government to plant trees in an effort to conserve River Bathi. AWWDA provided 3000 seedlings of indigenous trees and 1000 avocado seedlings. The indigenous tree seedlings were planted along the riparian of River Bathi. The avocado seedlings were distributed to the community living around River Bathi catchment as an incentive to take care of the planted seedlings. The tree planting exercise involved the community in Kirega and Bathi Locations in collaboration with the local administration.

3.2 Environmental performance

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

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

Athi Water Works Development Agency (AWWDA) as a state corporation with key functions of Planning, development, rehabilitation and expansion of water and sanitation services infrastructure is cognizant of the possible impacts (both positive and negative) resulting from interaction of the organization's activities with both physical and social environment.

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

AWWDA has a structured way of managing the environmental and social aspects associated with its operations through the existing Environmental and Social Safeguards unit with a total of 10 permanent staff.

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

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

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AWWDA environmental sustainability is guided by the Environmental Management and Coordination (Amendment) Act of 2015 which is the principal legislation governing the conduct of environmental management in Kenya; and the Constitution of Kenya, 2010. Other legislation related to natural resources such as Water Act, forest Act, Land planning Act, National land policy etc. as well as the Occupational Health and Safety Act, 2010 are also used as guidelines. AWWDA also complies with the other environmental requirements of International Development Funding agencies such as World Bank, Africa Development Bank, French Development Bank among others.

Table 1: Environmental and Social Safeguards

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

3.3 Employee welfare

All employees for the project are from AWWDA. The employees are hired competitively as per the existing labour laws and best practice.

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

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

3.4 Market place practices

AWWDA has always maintained an effective feedback mechanism with all stakeholders.

All engagements between AWWDA 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

Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network
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party. The payment schedules also form part of the contracts and they are strictly adhered to during the contract period.

AWWDA encourages public participation and also clearance by relevant Govt agencies to ensure consumer rights and interests are not infringed

3.5 Community Engagements

In line with the right to Access to Information as enshrined under Article 35 of the COK and as part of disability mainstreaming, AWWDA is committed to increasing access to the visually impaired. During the financial year 2019/2020, AWWDA brailed and distributed 100 copies of the service delivery charter on 28th February 2020 at the Thika School for the Blind. During the event, AWWDA also donated a 6000lts plastic water tank for rain water harvesting and dry food stuffs to boost the school feeding program

4 STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for Northern Collector Phase 1: Water Supply Extension Project (NCT-WSEP) are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial period ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Chief Executive Officer AWWDA and the Project Coordinator for NCT-WSEP are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial period ended June 30, 2020, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for NCT-WSEP further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Project financial statements

The Project financial statements were approved by the Chief Executive Officer Athi Water Works Development Agency and the Project Coordinator for NCT-WSEP on 28th September, 2020 and signed by them.



Chief Executive Officer
Name: Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator
Name: Eng. Joseph Kamau

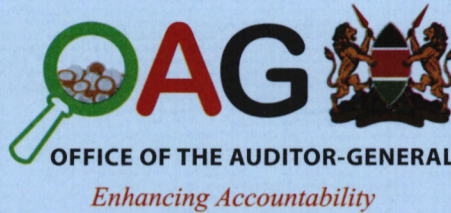
Date: 28/09/2020



Chief Manager-Finance & Strategy:
Name: Michael Kimotho
ICPAK Member Number: 6490
Date: 28/09/2020

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NORTHERN COLLECTOR PHASE 1 AND ADDITIONAL REHABILITATION AND DEVELOPMENT OF THE NETWORK PROJECT FOR THE YEAR ENDED 30 JUNE, 2020 - ATHI WATER WORKS DEVELOPMENT AGENCY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Northern Collector Phase 1 and Additional Rehabilitation and Development of the Network Project set out on pages 1 to 14, which comprise of the statement of financial assets and liabilities as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the 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 the Northern Collector Phase 1 - Additional Rehabilitation and Development of the Network Project as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. CK 1074 dated 17 January, 2014 between the Agence Francaise Development (AFD) and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Northern Collector Phase 1- Additional Rehabilitation and Development of the Network Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,721,800,000 and Kshs.899,800,000 respectively, resulting in under-funding of Kshs.822,000,000 or 48% of the budget. Similarly, the project spent Kshs.746,200,000 against the budgeted amount of Kshs.1,721,800,000 resulting in under expenditure of Kshs.975,600,000 representing 57% of the estimated expenditure. Management has attributed the underfunding and under expenditure to slow progress of works as a result of challenges in acquiring wayleaves for the construction of raw and treated water pipelines.

This have affected the planned activities and 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 matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Completion of Projects

1.1 Nairobi Bulk Water Supply Project

On 27 October, 2016, the Project commenced the construction of raw and treated water gravity mains from Thika dam to Kigoro treatment works and Gigiri tanks. The Project was scheduled to be completed on 31 December, 2020. The Scope of works included supply of pipes, fittings, valves, meters and construction of a pipeline in three components at a cost Kshs.6,992,467,243.

However, a visit to the sites revealed that most of the components for the treatment works and pipeline construction were about 90% complete. No physical works had commenced in respect of water pipeline construction at Ngethu – Gigiri treated section,

with the contractor having said to be unable to access the site. The project risks incurring additional costs in idle time and cost variations. The delays have also negatively impacted the completed Kigoro treatment plant which remains idle. Management attributed the delays to unconcluded land acquisition process by the National Lands Commission.

1.2 Sanitation Blocks in Nairobi Informal Settlements

Through the Project, the Sanitation Blocks in Nairobi Informal Settlements project commenced on 18 May, 2018 and was scheduled to be completed on 14 December, 2020. The project involved construction of fifteen (15) bio-centers within selected informal settlements in Nairobi at a contract price of Kshs.70,631,818. A review of the project execution and field inspection of sampled sites revealed slow progress of the project with works having only commenced in seven (7) sites out of which three (3) were at sub-structure level with no ongoing works. The other four (4) sites were at various stages of completion, at roofing and finishing. Further, 29 months or 95% of the contract period had elapsed, with only an estimated 21% of works having been executed. The Project's activities have therefore, fallen behind schedule as the construction period of 14 December, 2020 nears.

In the circumstances, it has not been possible to confirm whether public resources have been utilized effectively or whether value for money will be realized.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion 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 internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Financing Agreement between the Agence Francaise Development (AFD) and the Republic of Kenya for Northern Collector Phase 1 and Additional Rehabilitation and Development of the Network Project, except for the matters under Other Matter and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I report based on my audit that: -

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and

- ii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project 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 overall 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 of Kenya. 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 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 policies and procedures may deteriorate.


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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

30 December, 2020

Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network
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6 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2020

	Note	2019/2020		2018/2019		Cumulative to-date
		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						
Transfer from Government Entities	9.3	-	-	-	-	-
Proceeds from Domestic and Foreign Grants	9.4	-	-	-	-	-
Loan from External Development Partners	9.5	241,300,180	636,705,207	-	1,327,293,677	6,381,367,009
Miscellaneous Receipts	9.6	21,817,137		4,777,838.55		52,533,478
TOTAL RECEIPTS		263,117,317	636,705,207	4,777,838.55	1,327,293,677	6,433,900,487
PAYMENTS						
Compensation of Employees	9.7	-	-	-	-	-
Purchase of Goods and Services	9.8	-	-	10,639,321	-	91,248,378
Social Security benefits	9.9	-	-	-	-	-
Acquisition of Non-Financial Assets	9.10	87,606,977	636,705,207	222,241,618	1,327,293,677	6,132,188,273
Transfer to Other Government Entities	9.11	-	-	-	-	-
Other Grants and Transfers and Payments	9.12	189,686			-	189,686
TOTAL PAYMENTS		87,796,663	636,705,207	232,880,9389	1,327,293,677	6,223,626,337
SURPLUS/DEFICIT		175,320,654	-	(228,103,101)	-	210,274,150

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



Chief Executive Officer
 Name: Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator
 Name: Eng. Joseph Kamau

Date: 28/09/2020



Chief Manager-Finance & Strategy:
 Name: Michael Kimotho
 ICPAK Member Number: 6490

Date: 28/09/2020

Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network
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7 STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

		2019/2020	2018/2019
FINANCIAL ASSETS	Note	Kshs	Kshs
Cash and Cash equivalents			
Bank balances	9.13. A	210,274,150	34,953,496.00
cash balances	9.13. B	-	-
Cash Equivalents (Short-term deposits)	9.13. C	-	-
Total Cash and Cash Equivalents		210,274,150	34,953,496.00
Accounts receivables -Imprest and Advances	9.14	-	-
TOTAL FINANCIAL ASSETS		210,274,150	34,953,496.00
REPRESENTED BY:			
Fund balance b/fwd	9.15	34,953,496	263,056,596
Prior Year Adjustments	9.16	-	-
Surplus/Deficit for the period		175,320,654	(228,103,101)
NET FINANCIAL POSITION		210,274,150	34,953,496.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25th September, 2020 and signed by:



Chief Executive Officer
 Name: Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator
 Name: Eng. Joseph Kamau

Date: 28/09/2020



Chief Manager-Finance & Strategy:
 Name: Michael Kimotho
 ICPAK Member Number: 6490

Date: 28/09/2020

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8 STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2020

		2019/2020	2018/2019
Receipts from operating activities			
Transfer from Government entities			
Proceeds from domestic and foreign grants	9.4		
Miscellaneous receipts	9.6	21,817,137	4,777,839
Subtotal		21,817,137	4,777,839
Payments for operating activities			
Compensation of employees	9.7	-	
Purchase of Goods and Services	9.8	189,686	10,639,321
Social security benefits	9.9	-	-
Transfers to other government entities	9.11	-	-
Other grants and transfers	9.12	-	-
Adjustment during the year	9.16		
Decrease/(Increase) in Accounts Receivable: Outstanding Imprest	9.17	-	-
Decrease/(Increase) in Accounts Payable: (Deposit and retention)	9.18	-	-
Prior Year Adjustments	9.16	-	-
Subtotal		189,686	10,639,321
Net cash flow from operating activities		21,627,451	-5,861,482
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	9.1	-724,312,184	-1,549,535,295
Net cash flows from Investing Activities		-724,312,184	-1,549,535,295
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	9.5	878,005,387	1,327,293,677
Net cash flow from financing activities		878,005,387	1,327,293,677
NET INCREASE IN CASH AND CASH EQUIVALENT		175,320,654	-228,103,100
Cash and cash equivalent at BEGINNING of the year		34,953,496	263,056,596
Cash and cash equivalent at END of the year		210,274,150	34,953,496

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 15th September, 2020 and signed by:



Chief Executive Officer
 Name: Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator
 Name: Eng. Joseph Kamau

Date: 28/09/2020



Chief Manager-Finance & Strategy:
 Name: Michael Kimotho
 ICPAK Member Number: 6490

Date: 28/09/2020

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9 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget in Millions	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Variance
	a	b	c=a+b	d	e=d-c	f=e/c %
Receipts						
Proceeds from borrowings	1,700.00	-	1,700.00	878	-822.00	-48%
Miscellaneous receipts	21.8	-	21.8	21.8	0.00	0%
Total Receipts	1,721.80	-	1,721.80	899.8	-822.00	-48%
Payments						
Goods and Services	60	-	60	87.8	27.80	46%
Works	1,640.00	-	1,640.00	636.7	-1,003.30	-61%
Total Payments	1,700.00	-	1,700.00	724.5	-975.50	-57%



Chief Executive Officer
 Name: Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator
 Name: Eng. Joseph Kamau

Date: 28/09/2020



Chief Manager-Finance & Strategy:
 Name: Michael Kimotho
 ICPAK Member Number: 6490

Date: 28/09/2020

NOTES TO THE FINANCIAL STATEMENTS

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

9.1. Basis of Preparation

9.1.1. 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.

9.1.2. Reporting entity

The financial statements are for the Northern Collector Phase 1: Water Supply Extension Project and additional Rehabilitation and Development of the Network under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

9.1.3. 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.

9.2. 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 be 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.

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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.

• **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.

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- **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

- 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) **Contingent Liabilities**

A contingent liability is:

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

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) 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.

a) 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.

b) 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.

**Northern Collector Phase 1: Water Supply Extension Project and Additional Rehabilitation and Development of the Network
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c) 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 636,705,206.60 being loan disbursements were received in form of direct payments from third parties.

d) 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.

e) 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.

h) 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, 2020.

i) 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.

9.3. RECEIPTS FROM GOVERNMENT OF KENYA

The project is fully financed by the donor. The government provide funds for V.A.T and land compensation.

9.4. PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June there were no grants from donors. All the proceeds for the project are financed by loan with no grant factored.

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9.5. LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020 we received funding from development partners in form of loans negotiated by the National Treasury donors 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 amount in KShs	
					FY 19/20	FY 18/19
Loans Received from Bilateral Donors (Foreign Governments)			Kshs "000"	Kshs "000"	Kshs "000"	Kshs "000"
Insert name of foreign Government	N/A	N/A	N/A	N/A		
Loans Received from Multilateral Donors- (International Organizations)						
AFD	2015/2016	5,880	330,000	316,830		
AFD	2016/2017	20,900	0	2,300,224		
AFD	2017/2018	11,168	366,600	862,414		1,229,014
AFD	2018/2019	11,807	0	1,327,294		1,327,294
AFD	2019/2020	7,810	241,300	636,705	878,005	
Total		57,565	937,900	5,443,467	878,005	2,556,308

9.6. MISCELLANEOUS RECEIPTS

	FY 2019//20			FY 2018/19	Cumulative to-date
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total Receipts		
	Kshs	Kshs	Kshs	Kshs	Kshs
Administrative fees and charges	N/A	N/A	N/A	N/A	N/A
Other receipts –Interest on Bank Deposits	21,817,136	N/A	21,817,136	4,777,839	52,533,476
	21,817,136	N/A	21,817,136	4,777,839	52,533,476

Explanations

Source	Amount	Explanation
Interest on Bank Deposits	1,195,801.00	Interest earned on bank account
Transfer from WaSSIP AF A/c	9,665,584.80	Refund of amount paid erroneously from AFD to WaSSIP project in prior year
Transfer from coop	10,955,750.80	Refund of taxes paid from Project account in prior years
Total	21,817,136.60	

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9.7. COMPENSATION OF EMPLOYEES

There was no expenditure on compensation of employees because all project staff are AWWDA employees.

9.8. PURCHASE OF GOODS AND SERVICES

There were no purchase of goods and services during the year.

9.9. SOCIAL SECURITY BENEFITS

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

9.10. ACQUISITION OF NON-FINANCIAL ASSETS

	FY 2019/20			FY 2018/2019	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction of civil works	54,573,855	636,705,207	691,279,062	1,430,263,130	5,218,869,344
Consultancies	33,033,122	-	33,033,122	119,272,165	401,336,547
Total	87,606,977	636,705,207	724,312,184	1,549,535,295	5,620,205,891

9.11. TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30 June 2020, no transfer of funds to other reporting government entities

9.12. OTHER GRANTS AND TRANSFERS AND PAYMENTS

During the 12 months to 30 June 2020 other transfer of grants and payments was Ksh 189,686 which relates to bank charges for the Project Account.

9.13. CASH AND CASH EQUIVALENTS CARRIED FORWARD

	2019/2020	2018/2019
	Kshs	Kshs
Bank accounts (Note 8.13A)	210,274,150	34,953,496
Cash in hand (Note 8. 13B)	Nil	Nil
Cash equivalents (short-term deposits) (Note 8.13C)	Nil	Nil
Total	210,274,150	34,953,496

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9.13 A Bank Accounts

The Project has got one local currency Bank Account as detailed below:

Local Currency Account	2019/2020	2018/2019
	Kshs	Kshs
Kenya Commercial Bank- A/C No 1156760372	210,274,150	34,953,496

Special Deposit Accounts

There were no the Project's Special Deposit Account(s) as at 30th June 2020

9.13B Cash in Hand

The Project did not have any cash in hand

9.13C Cash equivalents (short-term deposits)

The Project did not have any short-term deposits

9.14. OUTSTANDING IMPRESTS AND ADVANCES

The Project did not have any outstanding imprest and advances

9.15. FUND BALANCE BROUGHT FORWARD

	FY 2019/20	FY 2018/19
	Kshs	Kshs
Bank accounts	210,274,150	34,953,496
Cash in Hand		
Cash equivalents (short term deposits)		
Outstanding Imprest		
Total	210,274,150	34,953,496

9.16. PRIOR YEAR ADJUSTMENT

There were no Prior year adjustments

9.17. CHANGES IN RECEIVABLE

There were no Changes in Account Receivable

9.18. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

There were no changes in Account Payable

10. OTHER IMPORTANT DISCLOSURES

10.1 PENDING ACCOUNTS PAYABLE (See Annex 2A)

There were no pending Accounts payables

10.2 PENDING STAFF PAYABLES (See Annex 2B)

There were no pending staff payables

10.3 OTHER PENDING PAYABLES (See Annex 2C)

There were no pending bills by 30th June 2020

10.4 External Assistance

a) External assistance relating loans and grants

N/A

b) Undrawn external assistance

N/A

c. Classes of providers of external assistance

N/A

OTHER IMPORTANT DISCLOSURES

d. Non-monetary external assistance

N/A

e Purpose and use of external assistance

N/A

f. External Assistance paid by Third Parties on behalf of the Entity by Source

N/A

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11 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	There were no pending issues	There were no pending issues			



Chief Executive officer
Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator
Eng. Bonnie Nyandwaro

Date: 28/09/2020



Chief Manager-FS
Michael Kimotho
ICPAK No: 6490
Date: 28/09/2020

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget in Millions	Adjustments	Final Budget	Actual on Comparable Basis	Variance	% of Variance	Comments
	a	b	c=a+b	d	e=d-c	f=e/c %	
Receipts							
Proceeds from borrowings	1,700.00	-	1,700.00	878	-822.00	-48%	The underutilization was due to slow progress of works as a result of challenges in acquiring wayleaves for the Construction of Raw and Treated Water Pipelines
Miscellaneous receipts	21.8	-	21.8	21.8	0.00	0%	
Total Receipts	1,721.80	-	1,721.80	899.8	-822.00	-48%	
Payments							
Goods and Services	60	-	60	87.8	27.80	46%	
Works	1,640.00	-	1,640.00	636.7	-1,003.30	-61%	The underutilization was due to slow progress of works as a result of challenges in acquiring wayleaves for the Construction of Raw and Treated Water Pipelines
Total Payments	1,700.00	-	1,700.00	724.5	-975.50	-57%	

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset Class	Opening Cost 2018/19 (Kshs)	Purchase /Additions in the year 2019/20 (Kshs)	Disposal in the year 2019/20 (Kshs)	Transfers in/(out) 2019/20 (Kshs)	Closing Cost 2019/20(Kshs)
	a	b	c	d	e=a+b-c+(-)d
Work in Progress	5,407,876,090	724,312,184	0	0	6,132,188,274