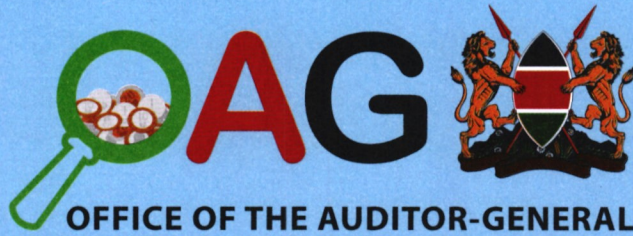


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPER NO. 10

DATE: 07 DEC 2023

OF

TABLED

BY:

CLERK

Chnes
Ken Owen Baya, CBS, MP
Deputy majority leader
Miriam

THE AUDITOR-GENERAL

ON

**WATER SECTOR DEVELOPMENT
PROGRAMME – LAKE VICTORIA SOUTH
(KERICHO, KISII, NYAMIRA AND LITEIN)
LOAN NO. BMZ 2010 65 861 AND
GRANT NO. BMZ 2010 70 457**

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

**LAKE VICTORIA SOUTH WATER WORKS
DEVELOPMENT AGENCY**



KFW



**WATER SECTOR DEVELOPMENT PROGRAMME -LAKE VICTORIA SOUTH;
BMZ- NO.2010 65 861 & BMZ-NO. 2010 70 457
(KERICHO, KISII, NYAMIRA AND LITEIN).**

LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

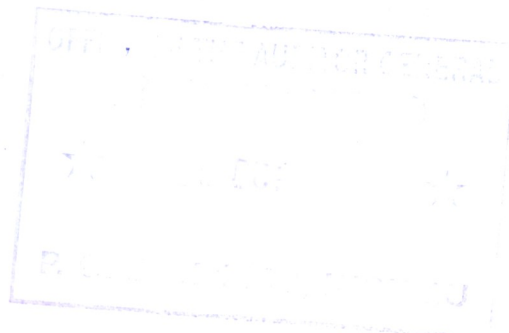
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GRANT NUMBER BMZ-No. 2010 70 457**

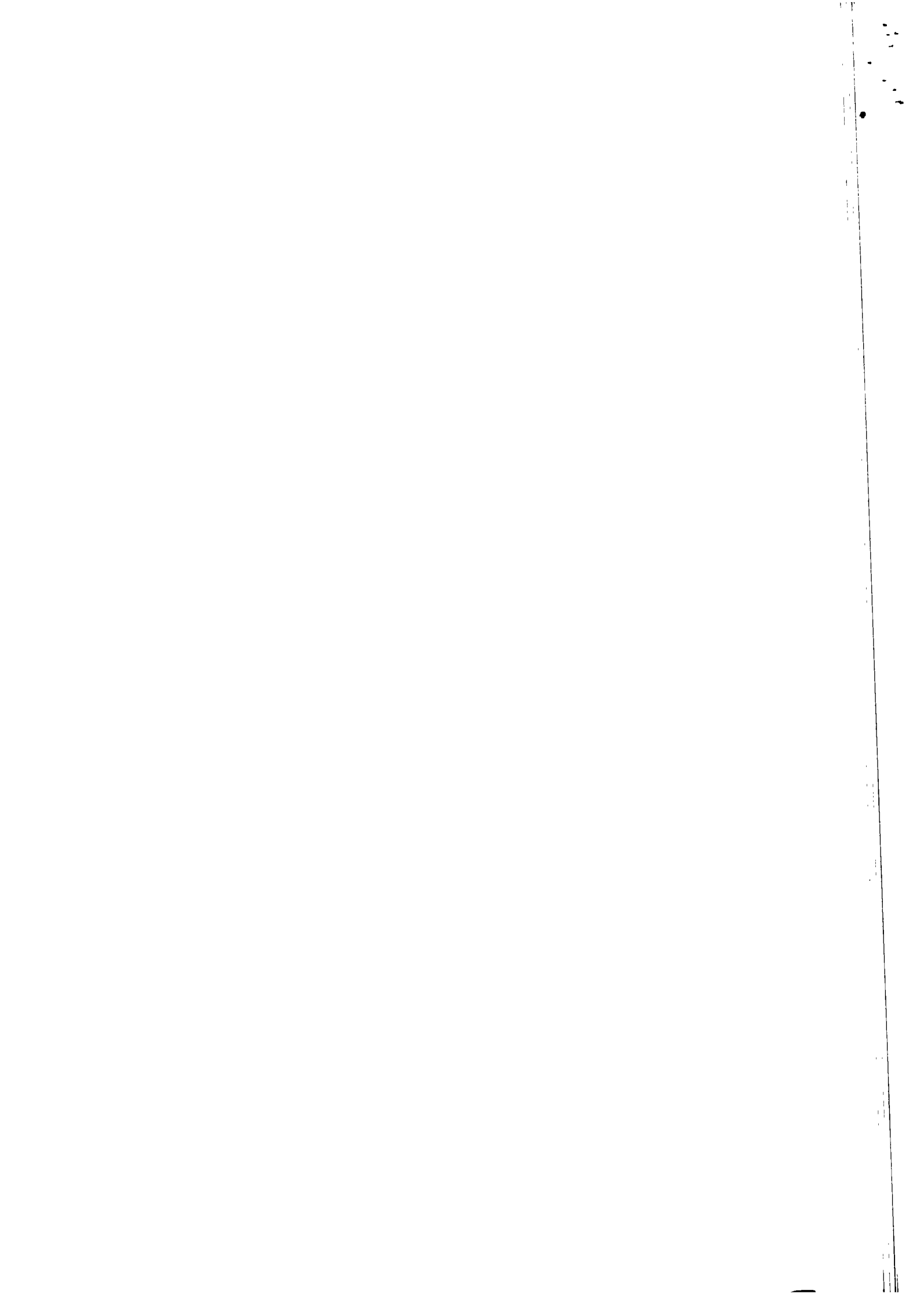
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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





Water and Sanitation Sector
Annual Report and Financial Statements for the financial year ended June 30, 2023

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1. Acronyms and Glossary of Terms

AIE	Authority to Incur Expenditure
CEO	Chief Executive Officer
CPA	Certified Public Accountant
GOK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
LVSWWDA	Lake Victoria South Water Works Development Agency.
NEMA	National Environmental Management Authority.
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
KfW	Kreditanstalt für Wiederaufbau

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and registered office

The project's official name is Water Sector Development Programme -Lake Victoria South; BMZ- No.2010 65 861 & BMZ-No. 2010 70 457 (Kericho, Kisii, Nyamira and Litein)

Objective

The key objective of the project is,

- a) To improve Water Supply and Sanitation Services in the Towns of Kericho, Kisii, Nyamira and Litein to meet the year 2030 demands.
- b) The investments in the 4 Nr. Project Towns will be restricted to the Core Urban and Peri Urban of the Project Towns and areas with close geographical proximity to Urban Core Areas.

Address

The project headquarters office is in Kisumu city, Kisumu County, Kenya.

The address of its registered office is:

The project also has consultant offices as follows:

- Kisii
- Nyamira

Contacts: The following are the project contacts

P.O. Box: 3325-40100

Telephone: (254) 57 2025127

E-mail: info@lvswwda.go.ke

Website: www.lvswwda.go.ke

2.2 Project Information

Project Start Date:	The Program start date is 03/03 /2014
Project End Date:	The Program end date is 31/12/2024
Project Manager:	The Program Manager is Chrispine Juma Omondi.
Project Sponsor:	The Program sponsor/Development Partner is German financial cooperation (KFW) /GOK

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project information and overall performance (continued)

2.3 Project Overview

Line Ministry/State Department of the project	The Program is under the supervision of the Ministry of Water and Sanitation.
Project number	BMZ No.2010 65 861 & BMZ-No. 2010 70 457
Strategic goals of the project	<ul style="list-style-type: none"> (i) Increase water coverage to 85%-90% in Kericho and 80-85% for Kisii, Nyamira and Litein towns. (ii) Increase sewerage coverage to 45% for Kericho and 40% in Kisii and improved sanitation in Nyamira town. (iii) Reduce Non-Revenue Water (NRW) from 50-65% to 30% in all towns (iv) Increase collection efficiency of GWASCO and KEWASCO to over 90% (v) Attain 100% Operation and Maintenance Cost recovery within 1 year of completion (vi) Drinking water quality to meet the WHO standards.
Achievement of strategic goals	<p>The Program management aims to achieve the goals through the following means: -</p> <ul style="list-style-type: none"> (i) Construction of Drinking Water Treatment Units (ii) Construction of Water Transmission and Distribution Mains (iii) Construction of Water Storage Reservoirs (iv) Purchase of Non-Revenue Water Management Equipment/Vehicles (v) Construction and Equipping of Laboratory (vi) Improved Operation and Maintenance of the Water Treatment System
Other important background information of the project	The project aims at providing sufficient, hygiene, economically viable and affordable water to 485,000 people and improved sanitation to 70,000 people within the towns of Kericho, Kisii, Nyamira and Litein-Sotik towns.
Current situation that the project was formed to intervene	<p>The Program was formed to intervene in the following areas: -</p> <ul style="list-style-type: none"> (i) To ensure the provision of sufficient, hygienic, economically viable and affordable Water and Sanitation Services for the population of the selected towns, thus contributing to the overall development goal of improving the health of the urban population by reducing waterborne diseases and favouring economic development. (ii) The Program also supports enhancement of water supply and sanitation service delivery and sustainability through improved commercialization, pro-poor orientation and clustering of schemes.
Project duration	The project started on 3 rd March 2014 and is expected to run until 31 st December 2024.

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

2.4 Bankers

The following are the bankers for the current year:

KfW Bank

Kenya Commercial Bank Limited
 Kisumu Branch
 P. O. Box 17-40100
KISUMU, KENYA

2.5 Auditors

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

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Chrispine O. Juma, HSC	Chief Executive officer	B.Sc. degree Hydrology	Accounting Officer
Eng. Michael Opany	Manager Planning and Design	Bsc Civil Engineering, Msc.	Program Coordinator
CPA. Alex Chale	Accountant	Msc finance, BBA, CPAK	Project Accountant
Mr. George Ageng'o	Chemist/Environmentalist	Ma in Project planning and management	Project implementation team
Mr. Martin Mayi	Procurement Manager	BA Degree, MBA	Procurement Expert
Eng. Samwel Chacha	Water Engineer	Bsc Civil Engineering	Asst. Project Eng.

2.7 Funding summary

The Project is for duration from 3rd March 2014 to 31st December 2024 with an approved budget of Euro 37.3 million equivalent to Ksh. 4.58 billion: Below is the funding summary:

**Water Sector Development Programme
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 to date (30.06.23)		Undrawn balance to date (30.06.23)	
	Donor currency (A)	Ksh. (A')	Donor currency (B)	Ksh. (B')	Donor currency (A)-(B)	Ksh. (A')-(B')
(i) Loan						
KFW	33,000,000	3,842,000,000	30,964,227	3,604,986,685	2,035,773	237,013,315
(ii) Grant						
KFW	1,000,000	116,420,000	676,652	78,775,875	323,348	37,644,125
(iii) Counterpart funds						
Government of Kenya	3,300,000	622,900,000	3,254,303	615,270,442	45,697	7,629,558
Total	37,300,000	4,581,320,000	34,895,182	4,299,033,002	2,391,594	279,786,998

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

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)	
	Donor currency	Ksh.	Donor currency	Ksh.	Donor currency	Ksh.
	(A)	(A')	(A)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
KFW	30,964,227	3,604,986,685	30,964,227	3,604,986,685	-	-
					-	-
(ii) Grant						
KFW	676,652	78,775,875	676,652	78,775,875	-	-
					-	-
(iii) Counterpart funds						
Government of Kenya	3,254,303	615,270,442	3,121,859	599,935,719	-	15,334,723
Total	34,895,182	4,299,033,022	34,908,406	4,283,698,279	-	15,334,723

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i. Budget performance for the project for the current year under review was at 34% Absorption and the overall programme budget is at 99.64% drawn cumulative to-date.
- ii. The physical progress of the project as at end of the year under review is at **99.9 %** based on awards.
- iii. The project will receive value for money since the already completed components are operational.
- iv. The absorption rate for each year since the commencement of the project has been steady.
- v. The implementation challenges are basically on land issues and budget constraints which the Government have intervene and more support has been received.

2.9 Summary of Project Compliance:

- There are no non-compliance issues with applicable laws and regulations, and essential external financing agreements/covenants that are in the project.

3. 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 2014-2024 plans are to:-

- (i) Increase water coverage to 85%-90% in Kericho and 80-85% for Kisii, Nyamira and Litein towns;
- (ii) Increase sewerage coverage to 45% for Kericho and 40% in Kisii and improve sanitation in Nyamira town;
- (iii) Increase collection efficiency of GWASCO and KEWASCO to over 90%
- (iv) Attain 100% Operation and Maintenance Cost recovery within 1 year of completion;
- (v) Drinking water quality to meet the WHO standards.

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:

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project	Objective	Outcome	Indicator	Performance
Water Sector Development Program	Increase water coverage from 40% to 85% in Kericho and Litein Town by 2022	Accessibility to additional 13,000m ³ /day of safe water by the people of Kericho and Litein towns	M ³ of treated water per day for population of Kericho KMs of pipelines rehabilitated within Litein town	65% of the population of Kericho town has access to safe water. The remaining 20% to be covered once the distribution network is expanded.
	from 35% to 85% for Kisii and Nyamira	Accessibility to additional 24,000m ³ /day of safe water by the people of Kisii and Nyamira	M ³ of treated water per day for population of Kisii and Nyamira towns	60% of the population of Kisii and Nyamira towns have access to safe water. Last mile connectivity is being considered to cover the remaining 25%
	Increase sewerage for Kisii town from 18% to 45%	Accessibility to additional sanitation services by the residents of Kisii town (2000M ³ /day uptake)	M ³ of wastewater treated per day from Kisii town	The plant is completed and operational treating additional 2000M ³ /day.
	Improved sanitation services in Nyamira town.	Accessibility to additional sanitation facilities by the residents of Nyamira town	No. of Ablution Blocks	Constructed 4 No Ablution Block of 4 doors each in Rangeny, Nyamira Hospital, County Commissioners Office and Kebirigo

4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

(i) Sustainability strategy and profile

In performing her mandate, Lake Victoria South Water Works Development Agency 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. The Agency 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.

(ii) Environmental performance

The base policy that guides the Agency is the Environmental Management and Coordination Act, 1999 and subsequent amendments such as the Environmental Management and Coordination (amendment) Act of 2015. This Act provides legal regulations for management and protection of biological diversity, it ensures access to genetic resources, wetlands, forests, marine and freshwater resources. The Act has several regulations that aid in its implementation such as: -

1. Environmental Impact Assessment (EIA) and Environmental Audit (EA) Regulations, 2003 and Environmental Impact Assessment and Audit (Amended Regulations, 2016); and
2. Water Quality Regulations (2006) - enacted as Legal Notice No. 120

The Agency developed an environmental policy in line with EMCA 1999 and National Environment Policy 2013(attached). The Agency also uses the donor environmental and social safeguard requirements such as the Integrated safeguard systems requirements of the AfDB, World Bank, EIB. Afd etc. that are available online on the websites of the financiers.

The Agency has thrived to reduce environmental impacts of the waste treatment plants by rehabilitating dilapidated waste treatment plants to ensure that the waste water discharged from the treatment plants comply with NEMA standards of discharge to the environment. The Agency is also developing new waste treatment plants to improve coverage for wastewater connectivity in Kisumu to reduce pollution of the lake.

(ii)Employee welfare

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

It generally guides the implementation of the policies and decision making at various levels within the Agency on matters human capital. The policy provision covers the entire recruitment process, pay and benefits, employee relations, performance management, training & development and the

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

health and safety issues. In consideration of affirmative actions, the policy addresses issues related to gender balance, persons with disability and consideration of the marginalized communities in all aspects of human resources dynamics.

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

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

(iv) Market place practices-

Efforts made by the Agency are: -

a. Responsible competition practice.

The Agency carries out procurement and disposal of assets in strict conformity to the Public Procurement and Asset Disposal Act and its attendant Regulations with its preferred procurement method being the Open Tender.

b. Responsible Supply chain and supplier relations

The Agency ensures prompt debriefing of suppliers concerning their tender results. All contractual obligations are honored while maintaining cordial partnership with suppliers during contract execution.

c. Responsible marketing and advertisement

All engagements between the Agency 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.

d. Product stewardship

The payment schedules also form part of the contracts and they are strictly adhered to during the contract period. The Agency encourages public participation and also clearance by relevant Govt Agencies to ensure consumer rights and interests are not infringed.

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

v) Corporate Social Responsibility / Community Engagements

During the year, the Agency engaged in a number of corporate social responsibility activities which impacted immensely on the lives of the beneficiary communities. The organization carried out several which included: -

1. Donation of tree seedlings planted at Kajulu water catchment area during world water day celebrations held on 22nd March, 2023;
2. Donation of tree seedlings towards Kisumu Citywide Greening Initiative organized by the County Government of Kisumu on 10th February, 2023;
3. Donation of reflector jackets to Boda Boda riders within Nyalenda in Kisumu County as a way of sensitization on road safety

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Chief Executive officer for the Lake Victoria South Water Works Development Agency and the Program Coordinator for Water Sector Development Programme 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 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 making accounting estimates that are reasonable in the circumstances.

The Chief Executive officer for the Lake Victoria South Water Works Development Agency and the Program Engineer for Water Sector Development Programme accepted 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.

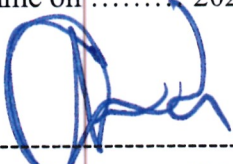
The Chief Executive officer, Lake Victoria South Water Works Development Agency and the Program Coordinator for Water Sector Development Programme are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023 and of the Project's financial position as at that date. The Chief Executive officer for the Lake Victoria South Water Works Development Agency and the Program Coordinator for Water Sector Development Programme 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, Lake Victoria South Water Works Development Agency and the Program Coordinator for Water Sector Development Programme confirmed 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 under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

Approval of the Project financial statements

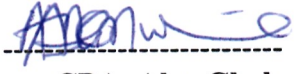
The Project financial statements were approved by Chief Executive officer for Lake Victoria South Water Works Development Agency and the Program Engineer for Water Sector Development Programme on 2023 and signed by them.



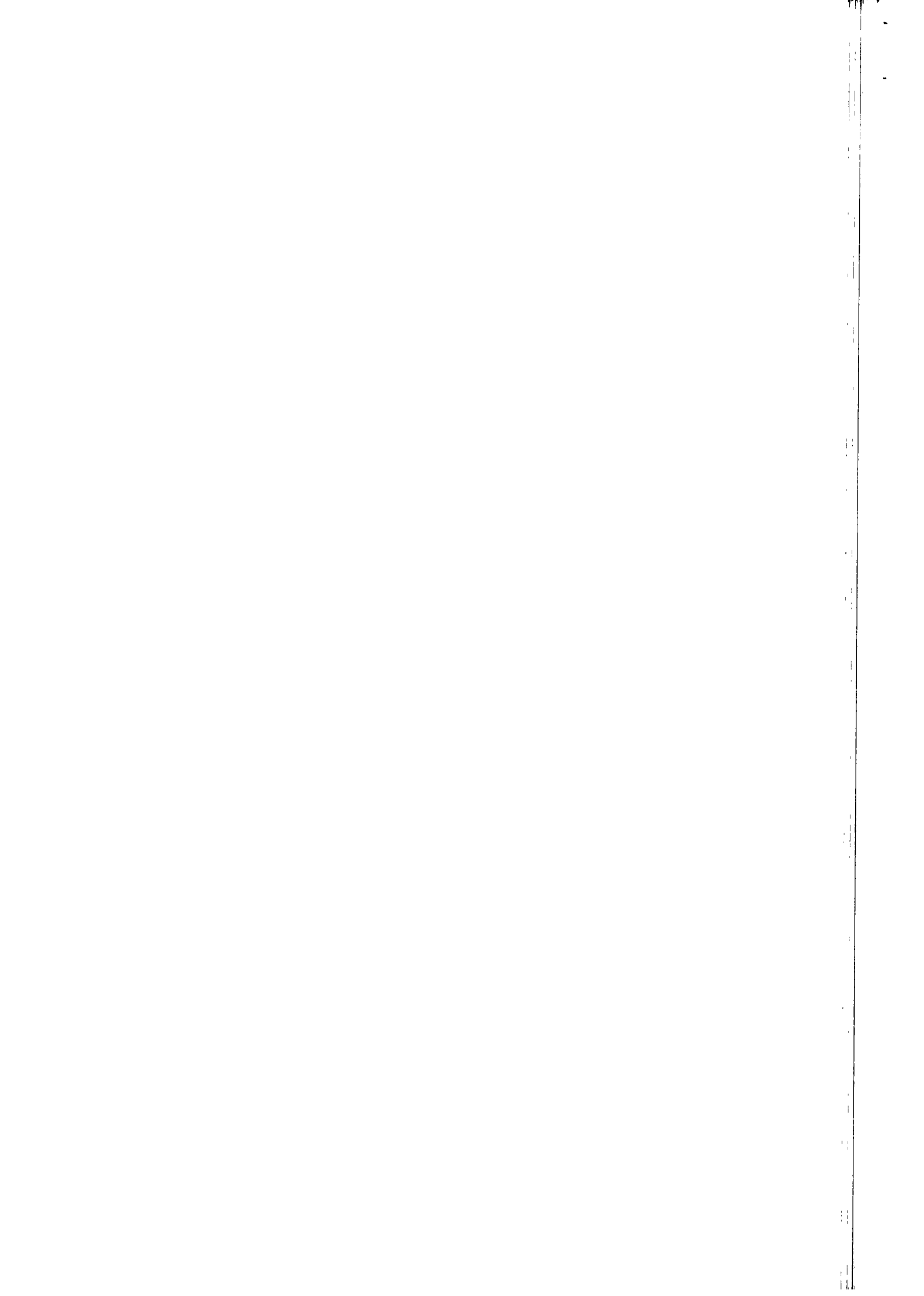
Chrispine O. Juma, HSC
Ag Chief Executive Officer



Eng. Michael Opany
Program Coordinator

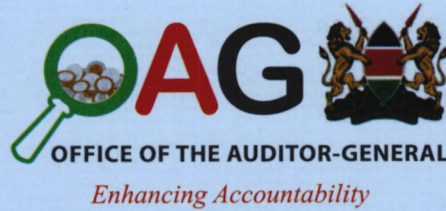


CPA. Alex Chale
Project Accountant
ICPAK No. 28472



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 WATER SECTOR DEVELOPMENT PROGRAMME – LAKE VICTORIA SOUTH (KERICHO, KISII, NYAMIRA AND LITEIN) LOAN NO. BMZ 2010 65 861 AND GRANT NO. BMZ 2010 70 457 FOR THE YEAR ENDED 30 JUNE, 2023 – LAKE VICTORIA SOUTH WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Water Sector Development Programme – Lake Victoria South (Kericho, Kisii, Nyamira and Litein) Loan No. BMZ 2010 65 861 and Grant No. BMZ 2010 70 457 set out on pages 17 to 34, which comprise of the statement of financial assets as at 30 June 2023, and the statement of receipts and payments, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Water Sector Development Programme – Lake Victoria South (Kericho, Kisii, Nyamira and Litein) Loan No. BMZ 2010 65 861 and Grant No. BMZ 2010 70 457 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 Loan Agreement No. BMZ 2010 65 861 dated 30 December, 2011 between KFW Development Bank, and the Republic of Kenya, and the subsidiary Grant Agreement No. BMZ 2010 70 457 dated 10 April, 2013 between the Government of Kenya and Lake Victoria South Works Development Agency and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Cash and Cash Equivalents, Failure to Open Bank Account and Maintain a Separate Cash Book

The statement of financial assets and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.16,934,723 under cash and cash equivalents. The bank balance was not supported by cash book, bank account or bank reconciliation. In addition, review of the Project's records indicated that the Project Management used the Implementing Agency's bank account and cashbook to process receipts and payments relating to the Project. This is contrary to Regulation 76(1) of Public Finance Management (National Government) Regulations, 2015 which provides that, for the purpose of disbursement of project funds, there shall be opened and maintained a Project account for every project at Central Bank of Kenya unless it is exempted by the cabinet secretary in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account. Section 6.1 (d) of the Financing Agreement states that the receipt of the funds shall maintain separate books and reports showing all costs incurred in connection with the expert services and clearly identifying the services financed from the financial contribution.

In the circumstances, the accuracy of cash and cash equivalents of Kshs.16,934,723 could not be confirmed and the Management was in breach of the law and the Financing Agreement.

2. Unsupported Accumulated Surplus

The statement of receipts and payments reflects an amount of Kshs.4,299,033,002 and Kshs.4,283,698,279 under cumulative receipts and cumulative payments respectively, resulting to a cumulative surplus of Kshs.15,334,723. However, the cumulative surplus differs with the reported bank balance of Kshs.16,934,723 by Kshs.1,600,000. The Management did not provide evidence for the accumulated surplus as there was no separate cash book to support the reported receipts and payments.

In the circumstances, the accuracy of the accumulated surplus and cash and cash equivalent balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Water Sector Development Programme – Lake Victoria South (Kericho, Kisii, Nyamira and Litein) Loan No. BMZ 2010 65 861 and Grant No. BMZ 2010 70 457 Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved any of the issues or provided any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury and Planning Circular reference No. AG.4/16/3 Vol.11(66) dated 6 July, 2022 which required the Accounting Officer to clear the audit issues raised in the previous year.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Land Ownership Documents

The statement of receipts and payments and as disclosed in Note 5 to the financial statements reflects an amount of Kshs.196,477,340 in respect of acquisition of non-financial assets (rehabilitation of civil works). This amount was paid to a foreign contractor at a contract sum of Kshs.1,189,805,385.in respect of the expansion of Kericho Water Supply systems.

Review of engineer's progress report indicated that works were deemed substantially complete on 30 September, 2022 and that the project was currently under defect liability period which expired on 30 September, 2023. Physical verification of the project in the month of October, 2023 revealed that the project has been commissioned and operational. However, no ownership documents have been provided for the land on which the treatment plant stands.

In the circumstances, the ownership of the parcel of land on which the treatment plant stands could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and 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 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the financing grant No. BMZ 2010 65 861, I report based on my audit, that:

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal controls 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 judgement and maintain professional skepticism throughout the audit. I also:

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

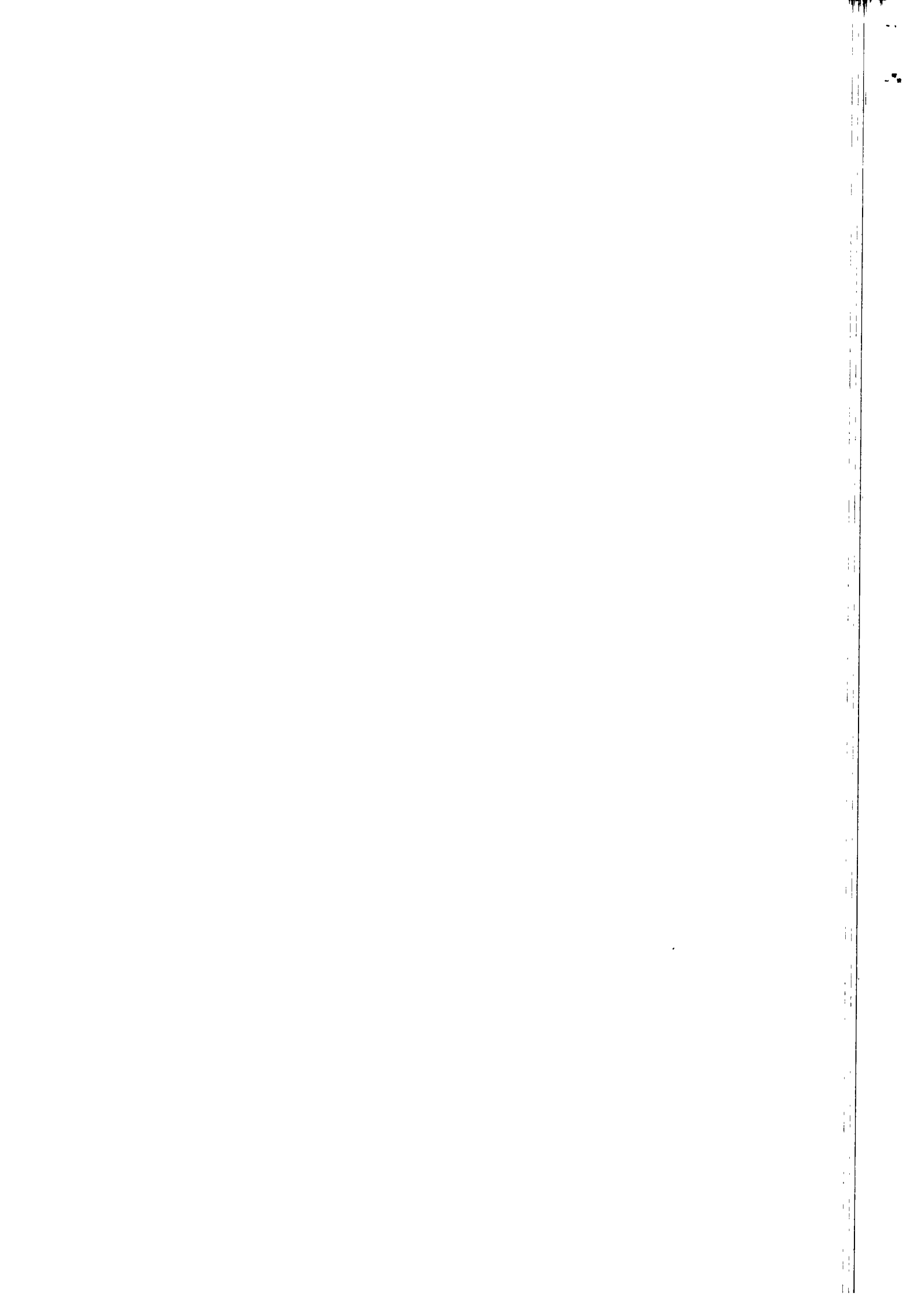
I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 November, 2023



Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2023

Note	2022/2023		2021/2022		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	
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
RECEIPTS					
1 Transfer from Government entities	97,500,000.00	-	229,122,817	-	615,270,442
2 Grants from external development partners		22,943,253.01		42,272,622	78,775,875
3 Loan from external development partners		170,563,117		415,376,060	3,604,986,685
TOTAL RECEIPTS	97,500,000	193,506,369.74	229,122,817	457,648,682	4,299,033,002
PAYMENTS					
4 Purchase of goods and services	-	68,491,275.01	-	-	369,786,842.95
5 Acquisition of non-financial assets- Works	71,462,245.42	125,015,094.73	217,181,346	457,648,690	3,885,347,394
6 Other payments- Supervision-kra	22,217,104.00		427,400	-	28,564,042
TOTAL PAYMENTS	93,679,349.48	193,506,370	217,608,746.34	637,889,421	4,283,698,279
SURPLUS/ (DEFICIT)	3,820,650.52	-	11,514,071.06	11,514,071.06	15,334,721.58

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on _____ 2023 and signed by:



Christpine O. Juma, HSC
Ag. Chief Executive Officer



Eng. Michael Opany
Project Coordinator

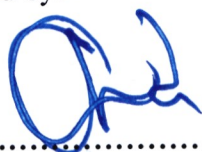


Alex C. Mulima
Project Accountant
ICPAK Member No. 28472


8. 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	8	16,934,722.58	11,514,071.06
Cash Balances			-
Cash equivalents			-
Total Cash and Cash equivalents		16,934,722.58	11,514,071.06
Total Financial Assets		16,934,722.58	11,514,071.06
		-	-
Financial Liabilities			
Deposits and Retention monies	7	13,114,071.06	11,514,071.06
Net Assets		3,820,650.52	-
Represented By			
Fund Balance B/fwd.		-	-
Prior Year adjustments		-	-
Surplus/(Deficit) for the Year		3,820,650.52	-
Net Financial Position		16,934,722.58	-

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



.....
Chrispine O. Juma, HSC
Ag. Chief Executive Officer



.....
Eng. Michael Opany
Project Coordinator



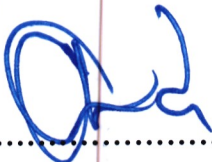
.....
Alex Chale
Project Accountant
ICPAK Member No: 28472

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

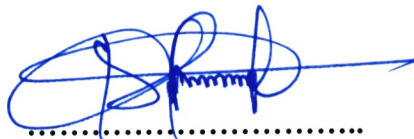
9. Statement of Cashflow for the year ended 30th June 2023

		2022-2023	2021-2022
	Note		KShs
Cashflow from Operating Activities			
Receipts from operating activities			
Transfer from Government entities	1	97,500,000	229,122,817.40
Proceeds from Foreign grants	2	22,943,253.01	42,272,622.00
		120,443,253	271,395,439
Payments from operating activities			
Purchase of goods and services	4	68,491,275.01	427,400.00
Other Payments	6	22,217,104.00	-
TOTAL PAYMENTS		90,708,379.01	427,400
Net cash flow from operating activities		29,734,874.00	270,968,039.40
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	5	(196,477,340.21)	-674,830,036.98
Net cash flows from Investing Activities		(196,477,340.21)	
CASHFLOW FROM FINANCING ACTIVITIES			-674,830,036.98
Proceeds from Foreign Borrowings	3	170,563,116.73	415,376,068.64
Net cash flow from financing activities		170,563,116.73	415,376,069
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,820,650.52	11,514,071
Cash and cash equivalent at BEGINNING of the year		11,514,071	0
Cash and cash equivalent at END of the year	8	16,934,721.52	11,514,071.00

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 _____ 2023 and signed by: -



Chrispine O. Juma, HSC
Ag. Chief Executive Officer



Eng. Michael Opany
Project Coordinator



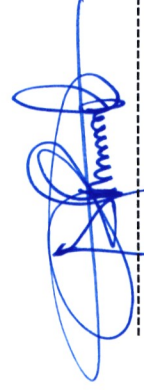
Alex Chale
Project Accountant
ICPAK Member No: 28472

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023
10. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %	Comments
Receipts							
Transfer from Government	100,000,000	-2,500,000	97,500,000	97,500,000	-	100%	
Proceeds from foreign borrowing	750,000,000	-	750,000,000	193,506,370	556,493,630	26%	
Total Receipts	850,000,000		847,500,000	291,006,370	556,493,630	34%	
Payments							
Purchase of services & Works:							
i. Consultancy Services for works supervision	50,000,000	-	50,000,000	45,548,022	32,278	91%	
ii. Consultancy Services for accompanying measures	25,000,000	-	25,000,000	22,943,253	2,056,747	92%	
iii. Construction of water works - Expansion of Water Supply system in Kericho	310,000,000	-	310,000,000	79,214,244	230,785,756	26%	
iv. Construction of water works - Expansion of Water Supply system in Kisii	465,000,000	-2,500,000	462,500,000	139,480,200	323,019,800	30%	
Total Payments	850,000,000		847,500,000	287,185,719	555,894,581	34%	



Chrispine O. Juma, HSC
Ag. Chief Executive Officer



Eng. Michael Opany
Project Coordinator



CPA Alex C. Mulima
Project Accountant
ICPAK Member No: 28472

11. Notes to the Financial Statements

Significant Accounting Policies

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

11.1 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.

11.2 Reporting entity

The financial statements are for the Project Water Sector Development Programme under the Ministry of Water & Sanitation and irrigation. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

11.3 Reporting currency

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

11.4 Recognition of receipts

Water Sector Development Programme recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

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

ii) External Assistance

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

Significant Accounting Policies (Continued)

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, in the current year there were no other receipts.

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.

11.5 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.

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.

Significant Accounting Policies (Continued)

11.6 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.

11.7 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.

11.8 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. The project has no pending bills as at 30th June 2023.

Significant Accounting Policies (Continued)

11.9 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*.

11.10 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 193,506,369.74 being loan disbursements were received in form of direct payments from third parties.

11.11 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)

11.12 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.

11.13 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.

11.14 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year (s)

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements

1. Transfers from Government entities

These represent counterpart funding and other receipts from government as follows: -

Receipts From Government of Kenya

	2022/23	2021/22	Cumulative
		Ksh.	to-date
<i>Counterpart funding through Ministry Water & Sanitation</i>			
Counterpart funds for Quarter 1	25,000,000	73,882,647.59	
Counterpart funds for Quarter 2	0	56,104,659.45	
Counterpart funds for Quarter 3	0	427,400.00	
Counterpart funds for Quarter 4	72,500,000	98,708,110.36	
Total	97,500,000	229,122,817.40	615,270,442

**Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2023, we received grants from donors as detailed in the table below:

Name of Donor	Date received	2022-2023				2021-22		Cumulative to date
		Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount	Total Amount	
		Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.	
Name of Donor	Date received	Amount in Donor currency	Grants received in cash	Grants received in kind	Grants received as direct payment*	Total amount in Ksh.		
		Ksh.	Ksh.	Ksh.	Ksh.			
KFW	12-Aug-22	51,363.98			6,026,536	6,026,536	42,272,622	
	20-Sep-22	74,324.59			8,487,995	8,487,995		
	20-Sep-22	73,805.58			8,428,723	8,428,723		
Total		199,494.15			22,943,253	22,943,253	42,272,622	78,775,875

**Water sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023**

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:

Description	2022-23				2021-22		
	Date received	Amount in loan currency euro	Loans received in actual amount Kshs	Loans received as direct payment* Kshs	Total amount in Kshs	Total amount in Kshs	Cumulative to date Kshs
Loans received from bilateral Donors (Foreign Governments)							
KFW	20-Jul-22	504,076.59	-	59,144,969.76	59,144,969.76		59,144,969.76
KFW	20-Dec-22	561,393.27	-	65,870,124.97	65,870,124.97		65,870,124.97
KFW	16-Dec-22	139,342.00	-	15,922,610.34	15,922,610.34		15,922,610.34
KFW	16-Dec-22	215,030.00	-	24,571,478.10	24,571,478.10		24,571,478.10
KFW	16-Dec-22	44,228.00		5,053,933.56	5,053,933.56		5,053,933.56
KFW	30-June-2022					415,376,609	3,434,423,568
Total		1,464,070.00	-	170,563,116.73	170,563,116.73	415,376,069	3,604,986,685

**Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023**

Notes to the Financial Statements (Continued)

4. Purchase of goods and services

Description	2022-23		2022-21		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
Services	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Services- Technical assistance, Design and Supervision		45,548,022	45,548,022		333,283,590.844
Services- Accompanying Measure		22,943,253	22,943,253		36,503,251.2
Total	0	68,491,275	68,491,275		369,786,842.044

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

5 Acquisition of Non-Financial Assets

Description	2022-2023			2021-22	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Rehabilitation of civil works	71,462,245.48	125,015,095	196,477,340.21	674,830,036.98	3,885,347,394
Total	71,462,245.48	125,015,095	196,477,340.21	674,830,036.98	3,885,347,394

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

6. Other Grants, Transfers and Payments

Description	2022-2023			2021-2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Program Management Exp.	22,217,104		22,217,104	427,400	28,564,042
Total	22,217,104	-	22,217,104	427,400	28,564,042

7. Deposits and Retention Monies

Description	2022-23		2021-2022	
	Kshs		Kshs	
Retention	1,600,000		11,514,071.06	
Deposits	0		0	
Total	1,600,000		11,514,071.06	
Ageing analysis:	2022-23	% of the Total	2021-22	% of the Total
Under one year	1,600,000	100%		
1-2 years			11,514,071.06	100%
Total	1,600,000	100%	11,514,071.06	100%

8 Cash equivalents (short-term deposits)

Description	2021-2022	2020-2021
	Kshs	Kshs
Kenya Commercial Bank [A/C No 1211147312] RETENTION ACCOUNT	13,114,071.06	11,514,071.06
Kenya Commercial Bank [A/C No 1104035464] DEVELOPMENT ACCOUNT	3,820,650.52	0
Total	16,934,721.58	11,514,071.06

Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023

Explanation to Note Above.

The retention bank account above is used to deposit all retention money of the Agency and the surplus was deposited in development Account

Other Important Disclosures

1. Pending Accounts Payable

PENDING ACCOUNTS PAYABLE

	Balance b/f 2021-22	Adjustment due to exchange rate	Balance b/f 2021-22	Additio ns for the period	Paid during the year	Balance c/f 22-23
Descriptio ns	Kshs		Kshs	Kshs	Kshs	Kshs
Expansion of water supply for Kisii Nyamira	20,668,964.70		18,062,731,.74	-	18,062,731.74	-
		-2,606,232.96				
Expansion of Water Supply for Kericho	7,718,266.07		7,718,266.07	-	7,718,849.47	(583.40)
Total	28,387,230.77	-2,606,232.96	25,780,997.81		25,781,581.21	(583.40)

**Water Sector Development Programme
Annual Report and Financial Statements for the financial year ended June 30, 2023**

**12. Annexes
Annex 1: Progress on follow up of Prior Year Auditor-General's Recommendations**

R. No.	Issue / Observations from Auditor	Management comments	(Resolved/ Not Resolved)	Timeframe:
1.	Failure to open Bank Account and maintain a separate cashbook.	The Bank accounts for GOK counterpart use the main development account, while the donor component is paid directly by the financier.	Resolved	
2.	Inaccuracies in the financial statements and notes to the financial statements.	The project does not have a separate cash book since it doesn't have separate bank accounts however availing of payment certificates is a proof of payment	Resolved	
3.	Pending bills payable by financiers	There were no pending bills by financiers on the said year, the Ksh. 508,541,382 was the undrawn amount of money i.e., the loan amount minus the amount drawn on that date.	Resolved	
4.1	Irregular expenditure	The handing over notes of pipes and evidence of receipts by Gusii Water and Sanitation Company Ltd (GWASCO) was availed to the audit team for review.	Resolved	
4.2	Ownership of the vehicle KCR 854R.	The Agency has obtained the logbook for KCR 854R. Log book registration number N6296857A	Resolved	
	Basis for conclusion			
1.	Summary of fixed asset, for Toyota Prado KCP 064N	The vehicle was returned to the Agency and the same is registered in the name of the Agency. Log book Registration number K39298603T and transfer No. 2021020201771.	Resolved	
2.	Expansion of water supply systems for Kericho	The County Government of Kericho who were responsible for acquiring the land is processing the title deed. The final survey has been done and the land fence.	To be resolved	Dec 2023
3	Expansion of water supply and sanitation for Kisii and Myamba	The project is complete and handed over to the company and it is fully operational and citizens are being supplied with clean water without or with minimal disruption. Production records for the month of June and July 2022 were provided for audit review.	Resolved.	

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Chrispine O. Juma, HSC
Ag. Chief Executive Officer


Eng. Michael Opany
Project Coordinator

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Annex 2 - Variance explanations - Comparative Budget and Actual amounts for FY 2022-2023

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

Receipts/Payments Item	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %	Comments
Receipts					
Transfer from Government	97,500,000	97,500,000	-	100%	
Proceeds from foreign borrowing	750,000,000	193,506,370	556,493,630	26%	1
Total Receipts	847,500,000	291,006,370	556,493,630	34%	
Payments					
<i>Purchase of services & Works:</i>					
i. Consultancy Services for works supervision	50,000,000	45,548,022	32,278	91%	
ii. Consultancy Services for accompanying measures	25,000,000	22,943,253	2,056,747	92%	
iii. Construction of water works - Expansion of Water Supply system in Kericho	310,000,000	79,214,244	230,785,756	26%	2
iv. Construction of water works - Expansion of Water Supply system in Kisii	462,500,000	139,480,200	323,019,800	30%	3
Total Payments	847,500,000	287,185,719	555,894,581	34%	

Explanatory Notes

The low absorption was due to cashflow problem which decreased the generation of payment certificates therefore affecting the following: -

1. Proceeds from foreign borrowing -
2. Construction of water works - Expansion of Water Supply system in Kericho
3. Construction of water works - Expansion of Water Supply system in Kisii

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Annex 3– Summary of Fixed Assets Register

Asset class	Opening Cost	donations in form of assets	*Purchases/Additions in the Year	**Disposals in the Year	transfers in (out)	Closing Cost
Asset class	Opening Cost	donations in form of assets	*Purchases/Additions in the Year	**Disposals in the Year	transfers in (out)	Closing Cost
	(Ksh.)		(Ksh.)	(Ksh.)		(Ksh.)
	2022/2023		2022/2023	2022/2023		2022/2023
	(a)		(b)	(c)		(d)= (a)+ (b)-(c)
Motor Vehicles:						
KCK 053C Fortuner	7,418,000	0	0	0	0	7,418,000
KCK 888U Fortuner	7,418,000	0	0	0	0	7,418,000
KCK 050C Hilux D/C	5,564,520	0	0	0	0	5,564,520
KCK 052C Hilux D/C	5,564,520	0	0	0	0	5,564,520
KCK 054C Hilux D/C	5,564,520	0	0	0	0	5,564,520
KCP 064N Land Cruiser Prado	9,355,500	0	0	0	0	9,355,500
KCP 975M Fortuner	7,245,000	0	0	0	0	7,245,000
KCR 854R	6,438,600	0	0	0	0	6,438,600
KCR 855R	6,438,600	0	0	0	0	6,438,600
KCR859R	6,438,600	0	0	0	0	6,438,600
Motor Cycles (40 No.)	4,000,000	0	0	0	0	4,000,000
Water Meters, Meter Testing Kit, Valves & Fittings	54,884,275	0	0	0	0	54,884,275
Pipes and EFB HDPE Machine	7,307,501	0	0	0	0	7,307,501
NRW Management Equipment	16,133,450	0	0	0	0	16,133,450
Pump and Associated Items	17,655,200	0	0	0	0	17,655,200
Laboratory Equipment	3,103,317	0	0	0	0	3,103,317
Total	170,529,603		0	0	0	170,529,603