

*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 18 FEB 2021

OF

DAY: THURSDAY

THE AUDITOR-GENERAL

LoM  
Anne Musandu

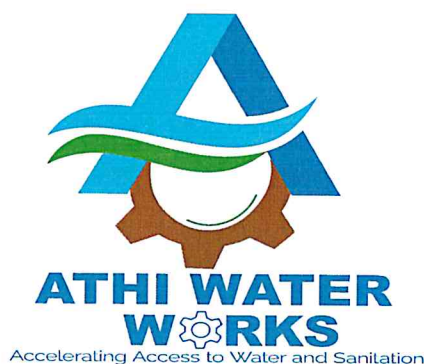
ON

**NAIROBI WATER DISTRIBUTION  
NETWORK PROJECT  
(CREDIT NO. BMZ 2020.82.527/KV26833)**

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

**WATER WORKS DEVELOPMENT  
AGENCY**





**PROJECT NAME: NAIROBI WATER DISTRIBUTION NETWORK PROJECT**

**[FUNDED BY FEDERAL REPUBLIC OF GERMANY]**

**IMPLEMENTING ENTITY: ATHI WATER WORKS DEVELOPMENT AGENCY**

**PROJECT CREDIT NUMBER: BMZ NO 2020.82.527/KV 26833**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 18 FEB 2021	DAY: THURSDAY
TABLED BY:	LOM
CLERK-AT THE TABLE:	Anne Musandu



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# NAIROBI WATER DISTRIBUTION NETWORK

## Report 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's official name is Nairobi Water Distribution Network

**Objective:** The key objective of the project is to improve equitable water supply in areas of Nairobi which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction

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

The address of the registered office is:

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

**Contacts:** The following are the project contacts

Telephone: (254) 0202724292/3

E-mail: [info@awwda.go.ke](mailto:info@awwda.go.ke)

Website: [www.awwda.go.ke](http://www.awwda.go.ke)

#### 1.2 Project Information

Project Start Date:	The project start date is 30-December-2014
Original Project End Date	The project end date is 31 <sup>st</sup> December,2017
Revised Project End Date	The Revised project end date is 31 <sup>st</sup> December,2020
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsors are the Government of Kenya (GoK), which contribute 15% and taxes, Co-financed by the Federal Republic of Germany and the European Union (EU) through KfW Development Bank which Contribute 85%.

#### 1.3 Project Overview

Line Ministry/State Department of the Project	The project is under the supervision of the Ministry of Water, Sanitation & Irrigation
Project number	<b>BMZ NO 2020.82.527/KV 26833</b>
Strategic goal of the project	The strategic goal of the project is to improve equitable water supply in areas of Nairobi which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction

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<p>Achievement of strategic goal</p>	<p>The project management aims to achieve the goal through the following means:  The main works components under this component include: -</p> <ol style="list-style-type: none"> <li><b>1. Lot 1: Construction of the Eastern Transmission (Kiambu – Embakasi) Pipeline.</b> <ol style="list-style-type: none"> <li>i) Water Transmission Pipeline, size DN1000/900 mm Pipeline, total length 24km</li> <li>ii) Reinforced Concrete Water Storage Tank at Embakasi, capacity 14,000m<sup>3</sup>.</li> <li>iii) Construction of the Resident Engineer’s Office (floor area 220m<sup>2</sup>)</li> </ol> </li> <li><b>2. Lot 2: Construction of the Western Transmission (Kabete – Uthiru – Karen) Pipeline.</b> <ol style="list-style-type: none"> <li>i. Construction of Water Transmission Pipeline from Kabete to Uthiru to Karen. Ferrous pipeline of sizes 500mm and 900mm diameter, approximate total length 12.6Km comprising of the following sections: <ol style="list-style-type: none"> <li>i) Kabete to Uthiru Pipeline <ul style="list-style-type: none"> <li>• DN 900mm Ferrous Pipeline, length 5.8 Km</li> </ul> </li> <li>ii) Uthiru to Karen Pipeline <ul style="list-style-type: none"> <li>• DN 900mm Ferrous Pipeline, length 5.2 Km</li> <li>• DN 500mm Ferrous Pipeline, length 3.15 Km</li> </ul> </li> </ol> </li> <li>ii. Construction of Reinforced Concrete Water Storage Tank at existing Uthiru Reservoir Site, Capacity 5000m<sup>3</sup>.</li> <li>iii. Electromechanical works and associated civil works at Kabete Pumping Station to upgrade the capacity of the Kabete-Uthiru Pumping System from 30,000m<sup>3</sup>/d to 72,000m<sup>3</sup>/d.</li> <li>iv. Construction of the Resident Engineer’s Office (floor area 220m<sup>2</sup>).</li> <li>v. Reinforced Concrete Water Storage Tank (capacity 500m<sup>3</sup>) and Pumping Facility at Kenya High School</li> </ol> </li> <li><b>3. Lot 3: Extension of Water &amp; Sewerage Services in Peri-Urban &amp; Informal Settlements.</b> <ol style="list-style-type: none"> <li>i. Extension of Water Pipelines (size 32–250mm total length 23km) and Sewers (size 200–315mm total length 21km) in Korogocho, Gitari Marigu, Ngando, Kawangware and Kangemi Areas of Nairobi</li> <li>ii. Construction of 2Nr Ablution Blocks in Gitari Marigu</li> </ol> </li> </ol>
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	iii. 928Nr Consumer Sewer Connections
Other important background information of the project	N/A
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Equitable water supply (ii) Poverty eradication
Project duration	The project started on 30 <sup>th</sup> December 2014 and is expected to run until 31 <sup>st</sup> December, 2020

#### 1.4 Bankers

The donor funding is through direct payment method.

AWWDA got an approval from the National Treasury to open development fund account for efficient management of all the project's GoK counterpart funds.

The following are the bank details for the GoK Counterpart funds Account:

Athi Water Works Development Agency  
The Co-operative Bank of Kenya  
AccountNo.01141084618501  
Upper hill Branch

#### 1.5 Auditors

Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084-00100  
NAIROBI.

#### 1.6 Roles and Responsivities

Names	Title designation	Key qualification	Responsibilities
Eng. Joseph Kamau	Project Coordinator	B.Sc. MIEK, P.Eng.	Project Manager
Eng. Bonnie Nyandwaro	Project Engineer	B.Sc. MIEK, P.Eng.	Coordination of the day to day activities of the entire program
Rahab Kingori	Project Engineer	B.Sc,MIEK,	Coordination of the day to day activities for lot 3
Eng. Joshua Ichang'i	Project Engineer	B.Sc. MIEK, P.Eng. AIMIS	Coordination of the day to day activities for lot 1
Eng. Kiprono Rop	Project Engineer	B.Sc., M.A, MIEK, P.Eng.	Coordination of the day to day activities of Lot 2
Anne Gacheri	Procurement officer	B.B.A, MA, CIPS	Management of the Procurement functions of the program
John Njoroge	Project Accountant	B.A., MBA, CPA-K	Management of the Finance functions of the program



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**1.7 Funding summary**

The Project is for duration of seven years from 2014 to 2020 with an approved budget of (Unit of Account) Euro 34,750,000 equivalent to about KShs 3,902,425,000 as highlighted in the table below:

<b>FUNDING SUMMARY</b>						
Source of funds	Donor Commitment-		Amount received to date – (30-06-2020)		Undrawn balance to date (30-06-2020)	
	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>	<i>Euro</i>	<i>Kshs</i>
(i) Grant	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Eu Managed by KfW	4,750,000	533,425,000	-	-	4,750,000	533,425,000 <sup>1</sup>
<b>Total Grant</b>	<b>4,750,000</b>	<b>533,425,000</b>	-	-	<b>4,750,000</b>	<b>533,425,000</b>
<b>(ii) Loan</b>						
KfW	25,000,000	2,807,500,000	19,181,520	2,204,098,182	5,818,480	603,401,818
<b>(iii) Counterpart funds</b>						
Government of Kenya	5,000,000	561,500,000	3,745,378	420,605,951	1,254,622	140,894,049
<b>Total Funding Summary</b>	<b>34,750,000</b>	<b>3,902,425,000</b>	<b>22,926,898</b>	<b>2,624,704,133</b>	<b>11,823,102</b>	<b>1,277,720,867</b>

<sup>1</sup> The Grants from the European Union is meant to finance the supply and delivery of consumer water meters.

## 1.8 Summary of the overall project performance

During the year under review, the Project received Kshs 809,547,084 and incurred expenditure totalling to Kshs 808,410,473.

Cumulatively as at 30<sup>th</sup> June 2020, the project had received Kshs 2,829,704,133 and incurred expenditure totalling to Kshs 2,816,522,350.

### Works

The works component of the project is funded by KfW and paid directly to the contractor

#### **I. Lot 1- Construction of the Eastern Transmission (Kiambu – Embakasi) Pipeline.**

##### **a) Resident Engineer's Office**

The Resident Engineer's Office is complete and has been in use by the Project Supervision Team since 20th June 2017.

- *Progress of Works on Resident Engineer's Office: 100 %*

##### **b) Supply of Pipes and Fittings**

Status of Manufacture and Delivery of Pipes is as follows:

Pipe	DN 1000 PN32	DN 1000 PN25	DN 900 PN25	Total
1 Quantity Manufactured (m)	3,852	14,592	5,340	23,784
2 Quantity Delivered to Site (m)	3,852	14,592	5,340	23,784

- *Progress of Works on Supply of Pipes and Fittings: 99 %*

##### **c) Pipeline Construction**

As at 30<sup>th</sup> June 2020, the total length of Pipeline laid is **23,542m**, against a target of **24,000m**,  
the pipes laid comprising of:

- **14,370m** of DN 1000 PN 25 pipes
- **3,840m** of DN 1000 PN 32 pipes
- **5,332m** of DN 900 PN 25 Pipes

The Welded joints have been tested by Dye-Penetration and Ultrasonic Testing methods

- *Progress of Works on Pipeline Construction: 97.9 %*

**d) Reinforced Concrete Water Storage Tank at Embakasi (capacity 14,000m<sup>3</sup>).**

The status of Works on the 14,000m<sup>3</sup> capacity Tank is as follows:

- Construction of Chambers and Installation of Inlet / Outlet / Scour / Overflow Pipes and Fittings – **90% complete.**
- Construction of Scour/Overflow drainage pipe: 311m of 1,530m laid - **99%**
- Sealing of Joints, Construction of Barbed Wire Fence, Construction of Chambers and Installation of Inlet, Outlet, Scour and Overflow Pipes and Fittings – Ongoing

• *Progress of Works on Embakasi Tank:* **95 %**

**e) Masonry Boundary Wall at Embakasi Garrison**

As per agreement between AWWDA and Ministry of Defence (MoD) for allocation of Land and Wayleave for construction of the 14,000m<sup>3</sup> Embakasi Tank at the Embakasi Garrison, a **1.8 km** long Masonry Wall forming part of the Garrison Boundary is to be constructed.

Following receipt of instruction from AWWDA on **9<sup>th</sup> July 2018**, the Contractor commenced construction of the wall on **30<sup>th</sup> July 2018**.

As at 30<sup>th</sup> June 2020, **1,780 M** i.e. **99%** of the total length of the Wall had been completed.

**f) Overall Contract Progress**

As at **30<sup>th</sup> June 2020:**

- Time Elapsed: **43 Months** i.e. **91.5 %** of 47 Months Contract Period
- Overall Progress:
  - Physical Works: approximately **96 %** of the Overall Scope of Works
  - Production and Delivery of Pipes and Fittings: **99 %** of total quantities

**II. Lot 2- Construction of the Western Transmission (Kabete – Uthiru – Karen) Pipeline.**

**a) Construction of Resident Engineer's Office**

The Resident Engineer's Office is complete and has been in use by the Resident Engineer's Staff since **15<sup>th</sup> April 2018**. The Office is located at the Uthiru Storage Tank Site.

*Progress of works on the Resident Engineer's Office Building:* **100 %.**

**b) Supply of Pipes and Fittings**

DN 500mm Pipes – the total requirement of 3.25km of DN 500 Steel Pipes and Fittings have been delivered to site.

DN 900mm Pipes – out of total requirement of 11.05km, 10.6km of pipes have been delivered to site.



**Progress on Supply of Pipes and Fittings: 96 %.**

**c) Pipeline Construction**

**i) Uthiru-Karen Pipeline Section (DN 900mm, length 5.2km + DN500mm, length 3.25km)**

Construction of the DN 500mm section of the Uthiru-Karen Pipeline commenced on **16<sup>th</sup> January 2018**. As at **30<sup>th</sup> June 2020**, **3.20 km** of DN 500mm Pipes had been laid out of the total 3.25km of DN 500mm Pipeline Section. Installation of Fittings, construction of valves and meter chambers is in progress.

Pipe Laying Works on the DN 900mm Section of the Pipeline commenced on **15<sup>th</sup> June 2018**. As at **30<sup>th</sup> June 2020**, **4.9 km** out of the total 5.2Km DN 900 Section has been laid.

**ii) Kabete-Uthiru Pipeline Section (DN 900mm, length 5.8 km)**

- **5.4km** out of the total 5.8 km has been laid.

***Progress of works on Pipeline Construction: 92.9 %. (Weighted on basis of pipe sizes)***

**d) Reinforced Concrete Water Storage Tank at Uthiru (Capacity 5000m<sup>3</sup>)**

Structural Concrete Works for the Tank including Base Slab, Walls and Roof Slab were completed on **31<sup>st</sup> May 2018**.

- Construction of Inlet/Outlet/Overflow/Scour Chambers and installation of Pipes and Fittings within the Reservoir Site are yet to be completed.
- 0.75km long DN 750 Concrete Scour / Overflow Pipeline - 680m out of total 750m length of the Pipeline has been laid. Manhole construction in progress

***Progress of works on construction of the 5,000m<sup>3</sup> Tank: 98.5%.***

**e) Kabete Pumping Station Works**

- **Civil Works**

No activity was recorded on Civil Works at Kabete Pumping Station in the current Reporting Period. Construction of the Super Structure walling and Installation of Steel Trusses, Purlins and Roofing Sheets for the Compressor Room Extension is complete. Plastering of Walls and installation of Door and Windows is in progress. Concrete works on the transformer plinth are complete, fencing of the plinth area is pending.

- **Electromechanical Works**

Factory Inspection and Witness Testing of Pumps at KSB Factory in Germany, was carried out by representatives of AWWDA, NCWSC, the Consultant and Contractor on 15th July 2019. Most of the Electromechanical Equipment to be installed including

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2.5MVA Transformer, Pumps, Motors and Control Valves were delivered in February 2020 and are currently stored at the Premises of the Electro-Mechanical Works Sub-Contractor (Jos Hansen EA Ltd.) in Nairobi.

***Progress of Physical works on Kabete Pumping Station: 36 %.***

**f) Construction of 500m<sup>3</sup> ground Water Storage Tank, 80m<sup>3</sup> Elevated concrete Tank Pumping Facility and at Kenya High School**

The Works components and current status are as follows:

- i) 500m<sup>3</sup> Reinforced Concrete Tank – Structural Concrete Works complete. Construction of Scour and Overflow Drainage Pipeline and Water Tightness Testing is in progress
- ii) Pump Chamber - Structural Concrete Works complete. Installation of Pumps and other Equipment yet to commence.
- iii) 80m<sup>3</sup> Reinforced Concrete Tank on 14m high Concrete Tower - Concrete works complete. Masonry cladding Works and Roofing works is in progress.

**Progress of Kenya High School Works: 72%**

**g) Overall Contract Progress:**

As at 30<sup>th</sup> June 2020:

- Contract Period Elapsed: **36.2 Months** i.e. **90.5%** of 40 Months Contract Period
- Overall Progress:
  - Physical Works: approximately **79.9%** of the Scope of Works
  - Production and Delivery of Pipes and Fittings: **97%** of total quantities.

**III. Lot 3(a): Extension of Water & Sewerage Services in Peri-Urban & Informal Settlements**

The Works components and current status are as per the table below

**Work Progress as at 30<sup>th</sup> June 2020**

Project Area	Component	Description	Unit	Contract Qty	Quantity Executed as at 30 <sup>th</sup> June 2020	% Executed as at 30 <sup>th</sup> June 2020
<b>Gitari Marigo</b>	Water Supply	OD 32-OD 125 HDPE Pipelines	Km	6.5	6.3	100%
	Sewerage	OD 250-OD 315 uPVC Sewers	Km	2.2	2.4	100%
		Ablution Blocks	Nr	2	2	100%
<b>Korogocho</b>	Sewerage	OD 200-OD 315 uPVC Sewers	Km	6.5	5.0	100%

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<b>Ngando</b>	Water Supply	OD 32-OD 355 HDPE Pipelines	K m	9	9.7	100%
	Sewerage	OD 200-OD 250 uPVC Sewers	K m	6.5	6.5	100%
<b>Kawangware</b>	Water Supply	OD 32-OD 250 HDPE Pipelines	K m	7.5	5.7	100%
	Sewerage	OD 200 uPVC Sewers	K m	5	3.5	100%
<b>Kangemi</b>	Sewerage	OD 200 uPVC Sewers	K m	4.5	7.1	100%

### Status of Consumer Connection Works as at 30<sup>th</sup> June 2020

Project Area	Contract Quantity (Nr)	Approved Applications Received from NCWSC	(%) of Target Approved Applications Received from NCWSC	No. of Connections Installed as at 30 <sup>th</sup> June 2019	(%) Complete
<b>Korogocho</b>	315	157	49.84%	139	44.13%
<b>Ngando</b>	268	176	65.67%	159	59.33%
<b>Kawangware</b>	220	131	59.55%	130	59.09%
<b>Kangemi</b>	125	210	168.00%	207	165.60%
<b>Total</b>	<b>928</b>	<b>674</b>	<b>72.63%</b>	<b>635</b>	<b>68.43%</b>

### Overall Project Progress:

As at 30<sup>th</sup> June 2020:

- Contract Period Elapsed: **31.0 Months** i.e. 7 months after the Original Contract Period
- Physical Works executed: approximately **98%** of the Scope of Works.

## IV. Lot 3(b): Supply and Delivery of Consumer Water Meters

The Lot 3(B) project component comprises of Supply and Delivery of Consumer Water Meters of size 15mm and related accessories to the Nairobi City Water and Sewerage Company Ltd. (NCWSC). The Schedule of goods to be supplied is as per the table below.

Item	Quantity
DN 15mm Consumer Water Meters DN 15	10,000 Nr
DN 15 mm Brass Stopcocks (Stop Valves)	10,000 Nr
DN 15mm Connectors/Coupling Nuts for Connection of Water Meters to externally threaded Water Supply Pipe	10,000 Nr



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Two procurement processes have been previously carried out, the first in May-July 2017 and the second in July-September 2019. On both occasions, none of the bids met all the specified requirements and therefore no bid was recommended for award of the Contract.

AWWDA prepared a revised Bidding Document which was granted KfW No-Objection on 19th May 2020.

An Invitation for Bids was advertised on 2nd June 2020. Bids will be opened on 20th July 2020 and the Contract is expected to be awarded in August 2020.

**Consultancies**

The consultant for the work supervision for the three lots is CES Consulting Engineers Salzgitter GmbH in association with Mangat I.B. Patel Consulting Engineers.

**1.9 Summary of the Project compliance:**

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

## 2. STATEMENT OF PERFORMANCE AGAINST PROJECT 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 objective of the *project* is to improve equitable water supply in areas of Nairobi which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction

### Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
<b>Construction of the Eastern Transmission (Kiambu-Embakasi) Pipeline</b>	Improve equitable water supply in the Eastern part of Nairobi which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction	<ul style="list-style-type: none"> <li>Water Transmission Pipeline, size DN1000 / 900 mm, length 24km</li> <li>Reinforced Concrete Water Storage Tank, capacity 14,000m<sup>3</sup></li> <li>Construction of Resident Engineer's Office (floor area 220m<sup>2</sup>)</li> </ul>	% increase in water coverage in Nairobi.	<p>Water pipeline works at 97.9%.</p> <p>Water tank works at 95%</p> <p>RE office works at 100%.</p>
<b>Construction of the Western Transmission (Kabete – Uthiru – Karen) Pipeline.</b>	Improve equitable water supply in the Western part of Nairobi which are currently under supplied in order to promote	<ul style="list-style-type: none"> <li>Water Pipeline, size DN900 and DN500 mm, total length 14.25 km</li> <li>Reinforced Concrete</li> </ul>	% increase in water coverage in Nairobi.	<p>Water pipeline works at 92.9%.</p> <p>Water tank works at 98%</p> <p>RE office at 100%.</p>

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	sustainable socio-economic development and contribute to overall poverty reduction	<p>Water Storage Tank, capacity 5,000m<sup>3</sup></p> <ul style="list-style-type: none"> <li>• Upgrading of Kabete – Uthiru Pumping System from 30,000m<sup>3</sup>/day to 72,000m<sup>3</sup>/day capacity</li> <li>• Construction of Resident Engineer's Office (floor area 220m<sup>2</sup>)</li> </ul>		Pumping station works at 36%
<b>Extension of Water &amp; Sewerage Services in Peri-Urban &amp; Informal Settlements</b>	Improve equitable water supply and Sewerage Services in the Peri-Urban and Informal Settlement which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction	<ul style="list-style-type: none"> <li>• Extension of Water Pipelines (size 32–250mm total length 23km) and Sewers (size 200-315mm total length 21km)</li> <li>• Construction of 2Nr Ablution Blocks</li> <li>• 928Nr Consumer Sewer Connections</li> </ul>	% increase in water & sewerage coverage in Nairobi.	<p>Water pipe line and sewerage works at 100%.</p> <p>Ablution block works at 100%.</p> <p>Consumer sewer connection works at 68.43%.</p>



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### 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.

#### **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;

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1. Ten Number community water supply projects to establish an additional production of 42,000m<sup>3</sup> 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.

## **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.

## NAIROBI WATER DISTRIBUTION NETWORK

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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.

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**

<b>IDF</b>	<b>Environment Safeguards Instruments</b>	<b>Description of safeguards</b>
African Development Bank	Operational Safeguards (OS)	OS 1: Environmental and Social Assessment. OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation.

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<b>IDF</b>	<b>Environment Safeguards Instruments</b>	<b>Description of safeguards</b>
		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	

### **1. Employee welfare**

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

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

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

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



## **NAIROBI WATER DISTRIBUTION NETWORK**

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#### **2. Market place practices-**

AWWDA ensures incorporation of competitive market practices through, encouraging competitive bidding by Placing advertisements for all tenders in our local dailies, our website and The Govt. of Kenya Treasury portal. This enables all prospective bidders to access the information and to participate. At the close of all tenders, representatives who choose to attend are invited to witness the opening of the tenders to ensure transparency in the bidding process. All the participants are informed of the outcome of the procurement process.

AWWDA has always maintained an effective feedback mechanism by holding an annual supplier meeting to get feedback from suppliers and contractors. Any concerns raised during the forum are adequately addresses.

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 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. 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 brailled and distributed 100 copies of the service delivery charter on 28<sup>th</sup> 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 Nairobi Water Distribution Network Program 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.

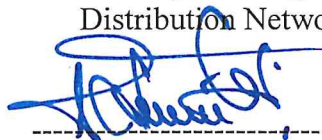
The *Chief Executive Officer* AWWDA and the Project Coordinator for Nairobi Water Distribution Network Program accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with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

The *Chief Executive Officer* AWWDA and the Project Coordinator for Nairobi Water Distribution Network Program are of the opinion that the Project's financial statements give a true and fair view of the state of the 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 Nairobi Water Distribution Network Program further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Chief Executive Officer* AWWDA and the Project Coordinator for Nairobi Water Distribution Network Program 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.

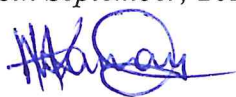
#### Approval of the Project financial statements

The Project financial statements were approved by the *Chief Executive Officer* Athi Water Works Development Agency and the Project Coordinator for Project Coordinator for Nairobi Water Distribution Network Program on 28th September, 2020 and signed by them.



Chief Executive Officer  
Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator  
Eng. Joseph Kamau

Date: 28/09/2020



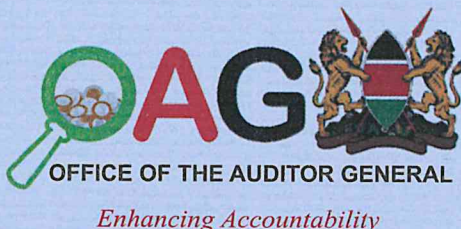
Project Accountant  
John Njoroge  
ICPAK No: 6463

Date: 28/09/2020



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON NAIROBI WATER DISTRIBUTION NETWORK PROJECT (CREDIT NO. BMZ 2020.82.527/KV26833) FOR THE YEAR ENDED 30 JUNE, 2020 – ATHI WATER WORKS DEVELOPMENT AGENCY**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Nairobi Water Distribution Network Project set out on pages 1 to 17, which comprise the statement of financial assets as at 30 June, 2020, and the 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 Nairobi Water Distribution 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 provisions of the Financing Agreement No. 2020.82.527/KV26833 dated 26 June, 2014 between KfW Development Bank 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 Nairobi Water Distribution 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 which, in my professional judgment, were of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

## **Pending Bills**

Notes 10.1 to the financial statements reflects pending bills of Kshs.15,352,126 as at 30 June, 2020. Management has not provided reasons for non-payment of the bills which exposes the Project to the risk of incurring significant interest costs and penalties owing to the continued delay in making payments.

## **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, I confirm that, nothing 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**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 to ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal control, risk management and overall governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the financing agreement for Nairobi Water Distribution Network Project between KfW Development Bank and the Republic of Kenya, I report based on my audit that: -

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements 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 which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue 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 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 which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control 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 which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Project's ability to continue 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**30 December, 2020**





**NAIROBI WATER DISTRIBUTION NETWORK**  
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**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2020**

DESCRIPTION	NOTES	2019/2020		2018/2019		CUMULATIVE TO DATE
		Receipts & Payments Controlled by the Entity in Cash	Receipts & Payments Controlled by the Third Party	Receipts & Payments Controlled by the Entity	Receipts & Payments Controlled by the Third Party	
<b>RECEIPTS</b>		Kshs	Kshs	Kshs	Kshs	Kshs
Transfer from Government entities	9.3	265,000,000	-	112,000,000		625,605,951
Loan from external development partners	9.5		544,547,084		794,955,630	2,204,098,182
<b>TOTAL RECEIPTS</b>		<b>265,000,000</b>	<b>544,547,084</b>	<b>112,000,000</b>	<b>794,955,630</b>	<b>2,829,704,133</b>
<b>Less: Payments/ Expenditure by Category:</b>						<b>-</b>
(as per Legal Agreement classification)						<b>-</b>
Compensation of Paps	9.7	17,601,629		26,967,546		71,692,243
Purchase of Goods & Services	9.8	1,366,173				1,366,173
Acquisition of non-financial assets	9.10	244,895,587	544,547,084	72,987,282	794,955,630	2,743,463,934
<b>TOTAL PAYMENTS</b>		<b>263,863,389</b>	<b>544,547,084</b>	<b>99,954,828</b>	<b>794,955,630</b>	<b>2,816,522,350</b>
<b>Surplus/Deficit</b>		<b>1,136,611</b>	<b>-</b>	<b>12,045,172</b>	<b>-</b>	<b>13,181,783</b>

  
 Chief Executive Officer  
 Eng. Michael M. Thuita

  
 Project Coordinator  
 Eng. Joseph Kamau

  
 Project Accountant  
 John Njoroge

Date: 28/09/2020

Date: 28/09/2020

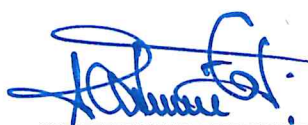
Date: 28/09/2020

NAIROBI WATER DISTRIBUTION NETWORK  
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7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2020

FINANCIAL ASSETS	Note	2019/2020 Kshs	2018/2019 Kshs
<b>Cash and Cash equivalents</b>			
Bank balances	9.13A	13,181,783	12,045,172
cash balances	9.13B	-	-
cash equivalents	9.13C	-	-
Imprests and advances	9.14	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>13,181,783</b>	<b>12,045,172</b>
<b>REPRESENTED BY:</b>			
Fund Balances Brought Forward	9.15	12,045,172	-
Surplus/Deficit for the year		1,136,611	12,045,172
<b>Net financial position</b>		<b>13,181,783</b>	<b>12,045,172</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 28<sup>th</sup> September, 2020 and signed by:



Chief Executive Officer  
Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator  
Eng. Joseph Kamau

Date: 28/09/2020



Project Accountant  
John Njoroge  
ICPAK No: 6463  
Date: 28/09/2020

NAIROBI WATER DISTRIBUTION NETWORK  
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**8. STATEMENT OF CASHFLOW FOR THE PERIOD ENDED JUNE 30, 2020**

	Notes	2019/2020 Kshs	2018/2019 Kshs
<b>Receipts for operating income</b>			
Transfer from Government Entities	9.3	265,000,000	112,000,000
Proceeds from domestic and foreign grants	9.4	0	0
Miscellaneous receipts	9.6	-	-
		<b>265,000,000</b>	<b>112,000,000</b>
<b>Payments for operating expenses</b>			
Compensation of PAPs	9.7	-17,601,629	-26,967,546
Purchase of goods and Services	9.8	-1,366,173	0
Social Security Benefits	9.9	0	0
Transfer to government entities	9.11	0	0
Other grants and transfers	9.12	0	0
<b>Net cash flow from operating activities</b>		<b>246,032,198</b>	<b>85,032,454</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	9.10	-789,442,671	-867,942,911
<b>Net cash flows from Investing Activities</b>		<b>-789,442,671</b>	<b>-867,942,911</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings	9.5	544,547,084	794,955,630
<b>Net cash flow from financing activities</b>		<b>544,547,084</b>	<b>794,955,630</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>1,136,611</b>	<b>12,045,172</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>12,045,172</b>	<b>0</b>
<b>Cash and cash equivalent at END of the year</b>		<b>13,181,783</b>	<b>12,045,172</b>

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 28th September, 2020 and signed by:



Chief Executive Officer  
Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator  
Eng. Joseph Kamau

Date: 28/09/2020



Project Accountant  
John Njoroge  
ICPAK No: 6463  
Date: 28/09/2020




NAIROBI WATER DISTRIBUTION NETWORK  
Report and Financial Statements  
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9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Proceeds from foreign borrowings	800,000,000	-200,000,000	600,000,000	544,547,084	55,452,916	90.76%
Transfers from Government entities	80,000,000	205,000,000	285,000,000	265,000,000	20,000,000	92.98%
<b>Total Receipts</b>	<b>880,000,000</b>	<b>5,000,000</b>	<b>885,000,000</b>	<b>809,547,084</b>	<b>75,452,916</b>	<b>91.47%</b>
<b>Payments</b>						
Acquisition of non-financial assets	865,500,000	0	865,500,000	789,442,671	76,057,329	91.21%
Purchases of Goods & Services	1,500,000	0	1,500,000	1,366,173	133,827	91.08%
Compensation of Paps	18,000,000	0	18,000,000	17,601,629	398,371	97.79%
<b>Total Payments</b>	<b>885,000,000</b>	<b>0</b>	<b>885,000,000</b>	<b>808,410,473</b>	<b>76,589,527</b>	<b>91.35%</b>

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

  
Chief Executive Officer  
Eng. Michael M. Thuita

Date: 28/09/2020

  
Project Coordinator  
Eng. Joseph Kamau

Date: 28/09/2020

  
Project Accountant  
John Njoroge  
ICPAK No: 6463

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 Nairobi Water Distribution Network Project 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 recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Donations and grants**

Grants and donations are 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 are accounted for on cash basis and recognized as a receipt during the year they are 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 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 relate to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognised in the financial statements at the time associated cash is received.

#### **b) Recognition of payments**

The Project recognises all payments when the event occurs and the related cash is 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 are disclosed as pending bills.

- **Interest on borrowing**

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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

- **Acquisition of fixed assets**

Payments on acquisition of property plant and equipment items are not capitalized. Costs of acquisition and proceeds from disposal of these assets 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 the project 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 party deposits.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **e) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of government's 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:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. As shown under Annex 4, the project did not have any contingent liabilities in the year.

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.



## NAIROBI WATER DISTRIBUTION NETWORK

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#### **h) 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.

#### **i) 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.

An 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.

#### **j) Third party payments**

Included in the receipts and payments, are payments made on behalf of the project by 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 544,547,084** was received in form of direct payments from KfW.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **k) 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.

### **l) 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.

### **m) 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.

### **n) 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.

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### 9.3 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2019/2020	2018/2019	CUMULATIVE TO DATE
	Kshs	Kshs	Kshs
<i>Counterpart funding through Ministry of Water &amp; Sanitation</i>			
Counterpart funding Quarter 1	20,000,000.00	28,000,000	48,000,000
Counterpart funding Quarter 2	20,000,000.00	28,000,000	48,000,000
Counterpart funding Quarter 3	225,000,000.00	28,000,000	253,000,000
Counterpart funding Quarter 4		28,000,000	276,605,951
Appropriations-in-Aid			-
<b>Total</b>	<b>265,000,000</b>	<b>112,000,000</b>	<b>625,605,951</b>

### 9.4 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the financial year ended 30<sup>th</sup> June, 2020 AWWDA received no grants from donors relating to this project

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grant Received in kind	Total amount in Kshs
			Kshs	Kshs	Kshs	Kshs
<b>Grants Received from Bilateral Donors (Foreign Governments)</b>						
N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Grants Received from Multilateral Donors (International Organizations)</b>						
KfW	N/A	N/A	N/A	N/A	N/A	N/A
<b>Grants Received from Local Individuals and organizations</b>						
N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	-	-	-	0	0	0

#### 9.5 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2020, AWWDA received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs	
					FY2019/2020 Kshs	FY2018/2019 Kshs
Loans Received from Bilateral Donors (Foreign Governments)		Euro	Kshs	Kshs		
N/A	N/A	N/A		N/A	N/A	N/A
Loans Received from Multilateral Donors (International Organizations)						
KFW	2015/2016	309,840		34,795,032		
KFW	2016/2017	2,690,699		345,861,164		
KFW	2017/2018	4,327,432		483,939,272		
KFW	2018/2019	6,936,236		794,955,630		794,955,630
KFW	2019/2020	4,917,313		544,547,084	544,547,084	
<b>Total</b>		<b>19,181,520</b>	<b>-</b>	<b>2,204,098,182</b>	<b>544,547,084</b>	<b>794,955,630</b>



#### 9.5 Loan from external development partner

SCOPE OF WORKS	2019/2020 Kshs	2018/2019 Kshs	CUMULATIVE TO DATE Kshs
Construction for Lot 1 Eastern Transmission (Kiambu-Embakasi) Pipeline	228,608,836	484,765,834	1,156,611,537
Construction for Lot 2 - Western Transmission (Kabete-Uthiru-Karen) Pipeline	265,261,139	94,840,543	596,672,099
Construction for Lot 3 - Extension of Water and Sewerage Services to Peri-Urban and Informal Settlements	28,149,787	169,195,721	260,512,330
The consultant for the work supervision	22,527,322	46,153,532	190,302,215
<b>TOTAL</b>	<b>544,547,084</b>	<b>794,955,630</b>	<b>2,204,098,182</b>

#### 9.6 MISCELLANEOUS RECEIPTS

There were no miscellaneous receipts during the year

#### 9.7 COMPENSATION OF PAPS

This relates to the payment of Crops and wayleaves for Paps

SCOPE OF WORKS	2019/2020			2018/2019	CUMULATIVE TO DATE
	Payment controlled by the entity in cash	Payment controlled by the third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Crops & Way leave Compensation	17,601,629	-	17,601,629	26,967,546	71,692,243
<b>TOTAL</b>	<b>17,601,629</b>	<b>-</b>	<b>17,601,629</b>	<b>26,967,546</b>	<b>71,692,243</b>

## 9.8 PURCHASE OF GOODS AND SERVICES

The have payments related purchase of goods and services during the year

SCOPE OF WORKS	2019/2020			2018/2019	CUMULATIVE TO DATE
	Payment controlled by the entity in cash	Payment controlled by the third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Advertising	1,366,173	-	1,366,173		1,366,173
<b>TOTAL</b>	<b>1,366,173</b>	<b>-</b>	<b>1,366,173</b>		<b>1,366,173</b>

## 9.9 SOCIAL SECURITY BENEFITS

The project didn't have payments related to social security benefits during the year



9.10 ACQUISITION OF NON-FINANCIAL ASSETS

SCOPE OF WORKS	2019/2020			2018/2019	CUMULATIVE TO DATE
	Payment Controlled by the Entity in cash	Payment Controlled by the Third Party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Construction for Lot 1 Eastern Transmission (Kiambu-Embakasi) Pipeline.	101,243,656	228,608,836	329,852,492	510,204,423	1,396,181,788
Construction for Lot 2 - Western Transmission (Kabete-Uthiru-Karen) Pipeline.	105,644,780	265,261,139	370,905,919	120,763,713	750,259,920
Construction for Lot 3 - Extension of Water and Sewerage Services to Peri-Urban and Informal Settlements.	35,854,690	28,149,787	64,004,476	185,079,043	323,880,836
The consultant for the work supervision.	2,152,461	22,527,322	24,679,783	51,895,732	200,154,108
<b>TOTAL</b>	<b>244,895,587</b>	<b>544,547,084</b>	<b>789,442,671</b>	<b>867,942,911</b>	<b>2,670,476,652</b>

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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9.11 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30<sup>th</sup> June 2020, we did not have any transfers to other government entities.

### 9.12 OTHER GRANTS AND TRANSFER AND PAYMENTS

The project didn't have other grants and transfers and payments during the year

### 9.13 CASH AND CASH EQUIVALENTS C/FWD

DESCRIPTION	2019/2020	2018/2019
	KSH	KSH
Bank accounts	13,181,783	12,045,172
Cash in Hand		0
Cash equivalents (short term deposits)		0
<b>Total</b>	<b>13,181,783</b>	<b>12,045,172</b>

The reported cash balances comprise of GoK contribution to the project and is managed through AWWDA's development fund account. To enhance accountability, a fund accountability is maintained for each project whose funds are managed through the same account.

#### 9.13 A. Bank Balance

	2019/2020	2018/2019
	Kshs	Kshs
<b><u>Foreign Currency Accounts</u></b>		
N/A	0	0
<b>Total Foreign Currency balances</b>	<u>0</u>	<u>0</u>
<b><u>Local Currency Accounts</u></b>		
Co-operative Bank of Kenya (A/c No 01141084618501)	13,181,783	12,045,172
<b>Total local currency balances</b>	<u>13,181,783</u>	<u>12,045,172</u>
<b>Total bank account balances</b>	<u>13,181,783</u>	<u>12,045,172</u>

#### 9.13 B. Cash in hand

The project did not have any cash in hand

#### 9.13 C. Cash equivalents (short term deposits)

The project didn't have any short-term deposits

### 9.14 OUSTANDING IMPREST AND ADVANCES

No imprest and Advances were paid under the project

**NAIROBI WATER DISTRIBUTION NETWORK****Report and Financial Statements**

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**9.15 FUND BALANCE BROUGHT FORWARD**

	2019/20	2018/19
	Kshs	Kshs
Bank accounts	12,045,172	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	<b>12,045,172</b>	<b>-</b>

**9.16 PRIOR YEAR ADJUSTMENT**

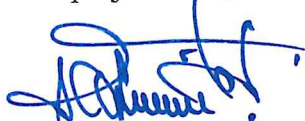
There were no prior year Adjustments

**10. OTHER IMPORTANT DISCLOSURES****10.1 PENDING ACCOUNTS PAYABLES**

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
DESCRIPTION	Kshs	Kshs	Kshs	Kshs
Construction of civil works	257,485,100	522,629,914	764,762,887	15,352,126
Consultancy-Supervision of civil works	24,679,783	-	24,679,783	(0)
<b>TOTAL</b>	<b>282,164,883</b>	<b>522,629,914</b>	<b>789,442,671</b>	<b>15,352,126</b>

**11. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The project did not have any auditor recommendation to track



Chief Executive Officer  
Eng. Michael M. Thuita

Date: 28/09/2020



Project Coordinator  
Eng. Joseph Kamau

Date: 28/09/2020



Project Accountant  
John Njoroge  
ICPAK No: 6463  
Date: 28/09/2020

ANNEX 1 VARIANCE EXPLANATIONS –COMPARATIVE BUDGET AND ACTUALS

Receipts/Payments Item	Final Budget Kshs	Actual on Comparable Basis Kshs	Budget Utilization difference Kshs	% of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a%	
<b>Receipts</b>					
Proceeds from foreign borrowings	600,000,000	544,547,084	55,452,916	90.76%	Within Budget
Transfers from Government entities	285,000,000	265,000,000	20,000,000	92.98%	Within Budget.
<b>Total Receipts</b>	<b>885,000,000</b>	<b>809,547,084</b>	<b>75,452,916</b>	<b>91.47%</b>	
<b>Payments</b>					
Acquisition of non-financial assets	865,500,000	789,442,671	56,057,329	91.21%	Within Budget
Purchase of Goods & Services	18,000,000	17,601,629	133,827	97.79%	Within Budget
Compensation of Paps	1,500,000	1,366,173	398,371	91.08%	Within Budget
<b>Total Payments</b>	<b>885,000,000</b>	<b>808,410,473</b>	<b>56,589,527</b>	<b>91.35%</b>	Within Budget

*Explain all variance below 90% and above 100 %*



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**ANNEX 2A - ANALYSIS OF PENDING BILLS**

<b>PENDING BILLS</b>							
<b>Supplier of Services</b>	<b>Original Amount Kshs</b>	<b>Date Contracted</b>	<b>Amount Paid To-Date Kshs</b>	<b>Outstanding Balance Kshs 30th June 2020</b>	<b>Outstanding Balance Kshs 30<sup>th</sup> June, 2019</b>	<b>Comments</b>	
	a	b	c	d=a-c			
1. CES Consulting Engineers Salzgitter GMBH in association with Mangat, I.B Patel JV	200,154,108	2015	200,154,108	0	25,121,225	The original amounts reflect the actual certified amounts	
2.Zhongmei Engineering Group-Lot 1	1,396,181,788	2016	1,396,181,788	0	54,880,402	The original amounts reflect the actual certified amounts	
3.Zhongmei Engineering Group-Lot 2	750,259,920	2017	750,259,920	0	189,050,122	The original amounts reflect the actual certified amounts	
4.Nanchang Foreign Eng Co. Ltd-Lot 3	339,232,962	2017	323,880,836	15,352,126	13,554,577	The original amounts reflect the actual certified amounts	
<b>Total</b>	<b>2,685,828,778</b>		<b>2,670,476,652</b>	<b>15,352,126</b>	<b>282,606,327</b>		

ANNEX 3- SUMMARY OF FIXED ASSET REGISTER

FIXED ASSET REGISTER						
Asset Class	Opening Cost (Kshs) 2018/19	Purchase /Additions in the year (Kshs) 2019/20	Disposal in the year (Kshs) 2019/20	Transfers in/(out) Kshs 2019/20	Closing Cost (Kshs) 2019/20	
	a	b	c	d	e=a+b-©+(-)d	
Work in Progress	1,368,684,677	804,794,797	0	0	2,173,479,474	