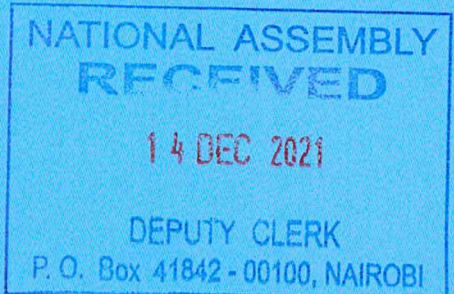
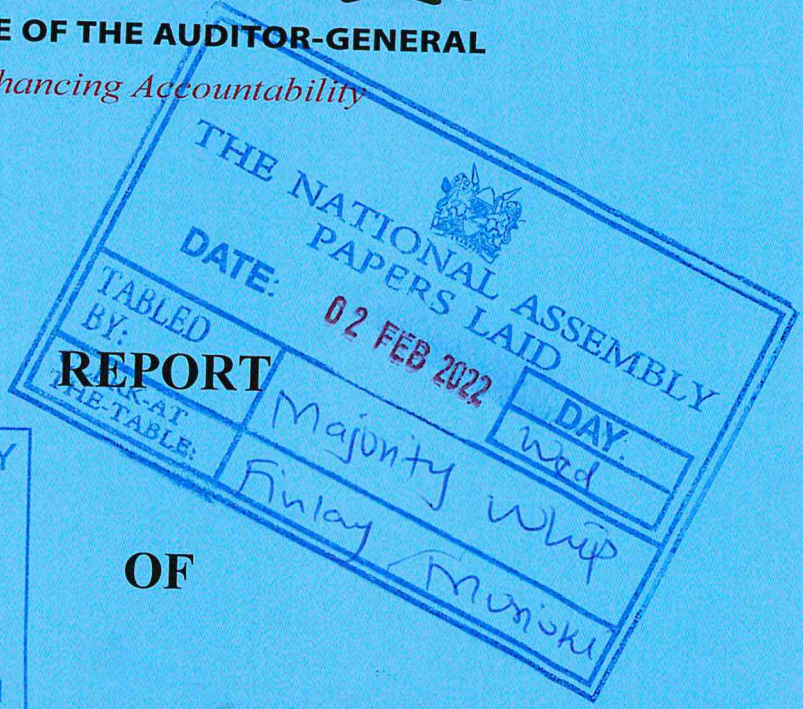


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

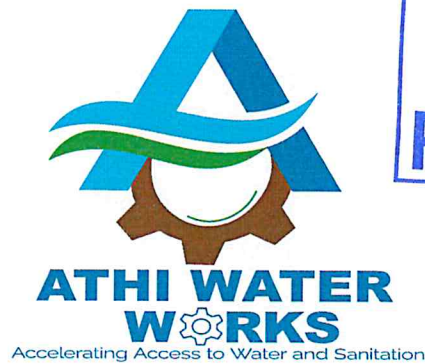
ON

**SUPPORT TO WATER AND SANITATION
SERVICES IN PERI-URBAN AREA PROJECT
(LOAN NO. BMZ 2013.6543.6)**

**FOR THE YEAR ENDED
30 JUNE, 2021**

**ATHI WATER WORKS DEVELOPMENT
AGENCY**





**PROJECT NAME: SUPPORT TO WATER AND SANITATION SERVICES IN PERI-URBAN
AREA**

[FUNDED BY FEDERAL REPUBLIC OF GERMANY]

IMPLEMENTING ENTITY: ATHI WATER WORKS DEVELOPMENT AGENCY

LOAN NUMBER: BMZ NO.2013.6543.6

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
Reports and Financial Statements
For the year ending June 30, 2021

Contents

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	ii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT PREDETRMINED OBJECTIVES	xi
3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	xii
4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xvi
5. REPORT OF THE INDEPENDENT AUDITORS ON SUPPORT TO WATER AND SANITATION SERVICES IN PERI-URBAN AREA	xviii
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 TH JUNE 2021	1
7. STATEMENT OF FINANCIAL ASSETS AS AT 30 TH JUNE, 2021	2
8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 TH JUNE 2021	3
9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
10. SIGNIFICANT ACCOUNTING POLICIES	5
12. OTHER IMPORTANT DISCLOSURES	17
13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	18
14. ANNEXES	20

1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name: The project's official name is Support to Water and Sanitation Services in Peri-Urban Area

Objective: The project goal is to provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja and Ongata Rongai – Kiserian areas

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
Athi Water Plaza
Old Muthaiga North Road
NAIROBI.

Contacts: The following are the project contacts

Telephone: (254) 0202724292/3

E-mail: info@awwda.go.ke

Website: www.awwda.go.ke

1.2 Project Information

Project Start Date:	The project start date was 28 th September, 2015
Original Project End Date:	The project end date is 30 th June,2020
Revised project End Date:	The project end date has been revised to 31 st December 2023
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsors are the Government of Kenya (GoK) and the Federal Republic of Germany through KfW Development Bank.

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	BMZ NO.2013.6543.6
Strategic goal of the project	The strategic goal of the project was to provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja and Ongata Rongai – Kiserian areas
Achievement of strategic goal	<p>The project management aims to achieve the goals through the following means:</p> <p>The main works components under this component include:</p> <ol style="list-style-type: none"> 1. Lot 1-Construction of Greater Githurai/Ruiru-Juja Water Supply Project <ol style="list-style-type: none"> a. Water source – Jacaranda Intake: <ol style="list-style-type: none"> i. Removal of existing raw water pumps from PS. ii. Replacement with 4 vertical split case pumps, H=50, Q=583 (2 duty, 2 standby), incl. associated pipework and E&M. b. Raw Water Pumping Main: <ol style="list-style-type: none"> i. Construction of second raw water pumping main parallel to the existing, approx. 1 km long, OD 450 PN 10 HDPE. c. Water treatment - Upgrading Jacaranda WTP from 15,000 m³/d to 28,000 m³/d by: <ol style="list-style-type: none"> i. Construct 2nd treatment line consisting of: ii. Inlet structure iii. 2 No. Flocculation basins iv. 2 No. Sedimentation tanks v. 4 No. Rapid Gravity Sand Filters vi. Gravity Sludge Drying Beds. vii. Replace Elevated Backwash Tank pumps to higher capacity for quicker filling of existing backwash tank viii. Construct additional chemical storage, mixing and dosing building for alum and soda ash dosing d. Transmission main: <ol style="list-style-type: none"> i. Construction of dedicated 6.8 km DN 1000 steel pipe from Jacaranda Water Treatment plant to Ruiru.. ii. Installation of connection piece for future offtake iii. Construction of dedicated 6.1 km DN 800 steel pipe from Ruiru to Githurai (Kahawa Sukari)

	<ul style="list-style-type: none"> e. Water distribution: <ul style="list-style-type: none"> i. Construct 168 km of ring mains and distribution network in Greater Githurai area of Kiuu, Mwiki, Kahawa Wendani and Kahawa Sukari (OD63 to DN800) f. Consumer Connections: <ul style="list-style-type: none"> i. Supply and install 73 km OD 20-63 HDPE for 8,400 number consumer connections g. Boreholes: <ul style="list-style-type: none"> i. Drilling, development and testing of 10 new boreholes h. Equipment: <ul style="list-style-type: none"> i. Supply operation and maintenance equipment <p>2. Lot 2 -Construction of Kiserian-Ongata Rongai Water Supply Project</p> <ul style="list-style-type: none"> a. Boreholes: <ul style="list-style-type: none"> i. Rehabilitation of six existing boreholes. ii. Drilling, development and testing of 10 new boreholes b. Construction of raw water pumping mains from boreholes to new storage tanks: <ul style="list-style-type: none"> i. HDPE OD90-OD225 c. Repair and rehabilitation of Mbagathi Water treatment plant, including: <ul style="list-style-type: none"> i. New dosers and dosing equipment ii. Rehabilitate Filters (exchange filter material, leaking valves, backwash water recirculation) iii. Replace raw water and clear water pumps and rehabilitate pump station iv. Repair backwash tower. d. Transmission main: <ul style="list-style-type: none"> i. Construction of dedicated 7.4 km OD400-OD355 HDPE pipe from the Western Transmission Main in Nairobi to Nkaimurunya Tank at Gataka, for 5,000 m³/d bulk supply from Nairobi. e. Construction of new water storage tanks, including booster pumping stations, chlorination, auxiliary buildings, etc. <ul style="list-style-type: none"> i. Kiserian School Tank, 800 m³ ii. Narumoru Tank, 100 m³ iii. Nkaimurunya Tank, 2,300 m³
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Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

	<p>f. Water distribution:</p> <p>i. Construct 203 km of ring mains and distribution network in Kiserian and Ongata Rongai to replace existing system (OD63 to DN500)</p> <p>g. Consumer Connections:</p> <p>i. Supply and install 165 km OD 20-63 HDPE for 8,300 number consumer connections</p> <p>h. Equipment:</p> <p>i. Supply operation and maintenance equipment</p>
Other important background information of the project	<p><u>Project Financing & Components</u></p> <p>The project follows Feasibility Studies that were carried out by m/s H.P. Gauff Ingenieure and prioritized for implementation.</p> <p>The project financing is estimated as Euro (€) 33,100,000.</p>
Project duration	The project started on 28 th September 2015; the project close date is 31 st December 2023

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
 Ridgeways Branch Kiambu Rd

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
Reports and Financial Statements
For the year ending June 30, 2021

1.5 AUDITORS

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

1.6 Roles and Responsibilities

Names	Title designation	Key Qualification	Responsibilities
Eng Michael Thita	Chief Executive officer	B.Sc. MIEK, P.Eng.	Accounting Officer
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
Eng. Kiprono Rop	Project Engineer	B.Sc., M.A, MIEK, P.Eng.	Coordination of the day-to-day activities
Rahab Kingori	Project Engineer	B.Sc,MIEK,	Coordination of the day-to-day activities
Janet Lang 'at	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

1.7 Funding summary

The Project is for duration of Eight years and 3 months from 28th September, 2015 to 31st December ,2023 with an approved budget of Euro 33,100,000 equivalent to about

Kshs 3,717,130,000 as highlighted in the table below:

A. SOURCE OF FUNDS

Source of funds	Donor Commitment-		Amount received to date – (30-06-2021)		Undrawn balance to date (30-06-2021)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
Grant						
KfW-Training Measures	2,300,000	258,290,000	1,776,077	205,618,245	523,923	52,671,755
Loan						
KfW	28,000,000	3,144,400,000	8,098,152	1,191,566,729	19,901,848	1,952,833,271
Counterpart funds						
Government of Kenya	2,800,000	314,440,000	1,698,844	190,270,552	1,101,156	124,169,448
Total Funding Summary	33,100,000	3,717,130,000	11,573,073	1,587,455,526	21,526,927	2,129,674,474

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

B. APPLICATION OF FUNDS

Application of Funds	Cumulative Amount Paid to date – (30-06-2021)		Amount received to date – (30-06-2021)		Unutilised balance to date (30-06-2021)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
Grant						
KfW-Training Measures	1,776,077	205,618,245	1,776,077	205,618,246	0	0
Loan						
KfW	8,098,152	1,191,566,729	8,098,152	1,191,566,729	0	0
Counterpart funds						
Government of Kenya	1,268,037	142,020,151	1,698,844	190,270,552	430,807	48,250,401
Total Funding Summary	11,142,266	1,539,205,125	11,573,073	1,587,455,527	430,807	48,250,401

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

1.8 Summary of the overall project performance

During the year under review, the Project received Kshs. 817,213,028 and incurred expenditure totalling to Kshs 781,910,581.

Cumulatively as at 30th June 2021 the project had received Kshs 1,587,455,527 and incurred expenditure totalling to Kshs 1,539,205,126.

Works

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

1. Lot 1- Construction of Greater Githurai/Ruiru-Juja Water Supply Project

Progress as at 30th June 2021 is summarized in the table below

Component	Unit	Total Contract Quantity	Cumulative Executed Quantity	Cumulative Executed in %
			Total	Total
Jacaranda WTP Pumping Station	Item	100%	0%	0%
Jacaranda WTP Civil Works	Item	100%	43%	43%
Jacaranda WTP E&M Works	Item	100%	0%	0%
Jacaranda WTP Pumping Line, OD 450	m	1,000	937	94%
Transmission Main Jacaranda - Kahawa Sukari,	m	12,900	292	2%
Ring Mains, OD 225 - DN 800	m	10,923	6,016	55%
Distribution System, OD 63 - OD 355	m	137,842	38,815	28%
Consumer Connections	Nr	8,400	0	0%
New Boreholes	Nr	10	0	0%

Lot 2-Construction of Kiserian-Ongata Rongai Water Supply Project

Progress as at 30th June 2021 is summarised in the table below

Component	Unit	Total Contract Quantity	Cumulative Executed Quantity	Cumulative Executed in %
			Total	Total
Nkaimurunya 2,300 m3 Tank and Compound	Item	100%	5%	5%
Kiserian School 800 m3 Tank and Pump Stn.	Item	100%	0%	0%
Naromoru 100 m3 Tank and Pump Stn.	Item	100%	0%	0%
Head Office for OWSC	Item	100%	80%	80%
Mbagathi & Kiserian WTP Rehabilitation	Item	100%	0%	0%
Transmission Main Karen - Ongata Rongai, OD 355 - OD 400	m	9,220	8,220	89%
Transmission Main Lemelepo - Ongata Rongai,	m	9,118	7,270	80%
Ring Mains, OD 225 - DN 400	m	12,069	4,892	41%
Distribution System, OD 50 - OD 355	m	201,117	31,807	16%
Consumer Connections	Nr	8,300	0	0%
Existing Boreholes Reconstruction	Nr	6	0	0%

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
Reports and Financial Statements
For the year ending June 30, 2021

New Boreholes	Nr	10	0	0%
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Lot 3 Supply and Delivery of Consumer Water Meters

The Supply Tender for 16,700 Consumer Water Meters, DN15-40, was published on the GTAI portal and in local media on 04 May, 2021, with a bid submission date of 22 June, 2021.

Eleven bids were received with read out bid price from Kshs 44.6 – 269.9 million, bid evaluation was immediately commenced.

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 provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja and Ongata Rongai – Kiserian areas

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Construction of Greater Githurai/Ruiru-Juja Water Supply Project	To provide support to water and sanitation in Nairobi's Peri-urban areas of Ruiru-Juja area	<ul style="list-style-type: none"> Upgrading Jacaranda WTP from 15,000 m³/d to 28,000 m³/d. Laying of 13 km steel pipe. Laying of 168 km of ring mains and distribution Drilling 10 No of boreholes 	% Increase in water coverage in Nairobi.	Works are at 25% complete
Construction of Kiserian-Ongata Rongai Water Supply Project.	To provide support to water and sanitation in Nairobi's Peri-urban areas of Ongata Rongai – Kiserian area	<ul style="list-style-type: none"> Laying of 203 km of ring mains and distribution network. 2No. storage water tank Drilling and equipping of 10No. boreholes 	% Increase in water coverage in Nairobi.	Works are at 30% complete

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.

Environmental performance

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

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

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

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
Reports and Financial Statements
For the year ending June 30, 2021

As such, AWWDA is committed to environmental conservation and protection as well as safeguarding the 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

IDF	Environment Safeguards Instruments	Description of safeguards
African Development Bank	Operational Safeguards (OS)	OS 1: Environmental and Social Assessment. OS 2: Involuntary Resettlement: Land Acquisition, Population Displacement and Compensation. OS 3: Biodiversity and Ecosystem Services. OS 4: Pollution Prevention and Control, Greenhouse Gases, Hazardous Materials and Resource Efficiency. OS 5: Labour Conditions, Health and Safety.

IDF	Environment Safeguards Instruments	Description of safeguards
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Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

IDF	Environment Safeguards Instruments	Description of safeguards
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 work plans 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 up skilled, helped or otherwise redeployed and up scaled.

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.

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

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
Reports and Financial Statements
For the year ending June 30, 2021

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 addressed.

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-

During the 2020/2021FY AWWDA continued to ensure enhanced access to water across our area of jurisdiction in a bid to reduce the spread of COVID19.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

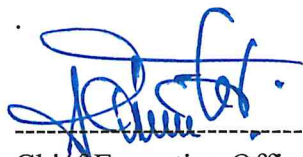
The Chief Executive Officer Athi Water Works Development Agency (AWWDA) and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial period ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements 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 Support to Water and Sanitation Services in Peri-Urban Area 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 Support to Water and Sanitation Services in Peri-Urban Area are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial period ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area 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 Support to Water and Sanitation Services in Peri-Urban Area 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.

The Project financial statements were approved by the Chief Executive Officer Athi Water Works Development Agency and the Project Coordinator for Support to Water and Sanitation Services in Peri-Urban Area on 28th September, 2021 and signed by them.



Chief Executive Officer
Eng. Michael M. Thuita

Date: 28/09/2021



Project Coordinator
Eng. Joseph Kamau

Date: 28/09/2021



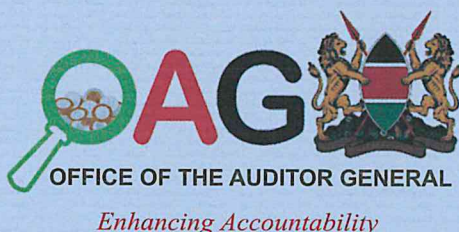
Manager Finance & Accounting
CPA, Dr. Christine Mawia Julius
ICPAK No: 6458

Date: 28/09/2021

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
Reports and Financial Statements
For the year ending June 30, 2021

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 SUPPORT TO WATER AND SANITATION SERVICES IN PERI-URBAN AREA PROJECT (LOAN NO. BMZ 2013.6543.6) FOR THE YEAR ENDED 30 JUNE, 2021 - ATHI 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, gazetted 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 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 control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of set out on pages 1 to 22, which comprise the statement of financial assets as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows and statement of comparative budget

Report of the Auditor-General on Support to Water and Sanitation Services in Peri-Urban Area Project (Loan No. BMZ No.2013.6543.6) for the year ended 30 June, 2021 – Athi Water Works Development Agency

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 Support to Water and Sanitation Services in Peri-Urban Area Project as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement BMZ No.2013.6543.6 dated 28 September, 2015 between the 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 Support to Water and Sanitation Services in Peri-Urban Area 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 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

Delay in Release of Funding

As disclosed under project information - 1.7 on the funding summary, the project was to be implemented within a revised duration of eight (8) years from September, 2015 to December, 2023 with total funding of Kshs.3,717,130,000 comprising of KfW grant and Loans of Kshs.258,290,000 and Kshs.3,144,400,000 respectively and counterpart funds by the Government of Kenya of Kshs.314,440,000.

However, the disbursement of the funding has lagged behind with Kshs.1,397,184,974 or 41% and Kshs.190,270,552 or 39% from donors and GoK respectively totalling Kshs.1,587,445,526 received as at 30 June 2021 leaving a balance of Kshs.2,129,674,474 or 57% of the total commitment compared the remaining thirty (30) months or 30% to end of the project implementation period.

As a result of the delay, the project is unlikely to fully achieve its expected outputs and objectives.

Other Information

The Program Management is responsible for the other information, which comprises Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Corporate Social Responsibility Statement/Sustainability Reporting and Statement of Project Management Responsibilities.

The other information does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

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

Failure to Open a Project Bank Account

During the year under review, the Project Management did not open a separate Project bank account, but instead the project funds are deposited in the Athi Water Works Development Agency's development account. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) regulations, 2015 which provides that for purpose of disbursement of Project Funds, there shall be opened and maintained a project account for every project.

In the circumstances, the Project Management is in breach of the law.

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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements 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 continue as a 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 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 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 control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Project's ability to continue as a going concern or 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 as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 November, 2021

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

DESCRIPTION	NOTES	2020/2021		2019/2020		CUMULATIVE TO DATE	
		Receipts & Payment controlled by the entity	Receipts & Payment controlled by the third party	Receipts & Payment controlled by the entity	Receipts & Payment controlled by the third party	TOTAL	TOTAL
RECEIPTS		KSH	KSH	KSH	KSH		KSH
Receipts from Government of Kenya	11.1	100,000,000		75,000,000		75,000,000	190,270,552
Proceeds from domestic and foreign grants	11.2		17,650,176		72,995,710	72,995,710	205,618,246
Loan from external development partners	11.3		699,562,852		315,721,473	315,721,473	1,191,566,729
TOTAL RECEIPTS		100,000,000	717,213,028	75,000,000	388,717,183	463,717,183	1,587,455,527
Less: Payments/ Expenditure by Category:							
(as per Legal Agreement classification)							
Purchase of Goods & Services	11.6						3,376,858
Acquisition of non-financial assets	11.8	64,697,552	717,213,028	62,052,046	388,717,183	450,769,229	1,535,828,268
TOTAL PAYMENTS		64,697,552	717,213,028	62,052,046	388,717,183	450,769,229	1,539,205,126
Surplus/Deficit		35,302,448	-	12,947,954	-	12,947,954	48,250,401


 Chief Executive Officer
 Eng. Michael M. Thuita

Date: 28/09/2021


 Project Coordinator
 Eng. Joseph Kamau

Date: 28/09/2021



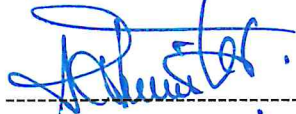
Manager Finance & Accounting
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458
 Date: 28/09/2021

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE, 2021

FINANCIAL ASSETS	Note	2020/2021 KSH	2019/2020 KSH
Cash and Cash equivalents			
Bank balances	11.11.A	48,250,401	12,947,954
Cash balances	11.11.B	-	-
Cash equivalents	11.11.C	-	-
Total Cash and Cash Equivalents		48,250,401	12,947,954
Accounts Receivables	11.12	-	-
TOTAL FINANCIAL ASSETS		48,250,401	12,947,954
Payables-Deposits and Retentions	11.13	-	-
NET ASSETS		48,250,401	12,947,954
REPRESENTED BY:			
Fund balance Brought Forward	11.14	12,947,954	-
Prior year adjustments	11.15	-	-
Surplus/Deficit for the year		35,302,448	12,947,954
Net financial position		48,250,401	12,947,954

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on *28th September, 2021* and signed by:



Chief Executive Officer
 Eng. Michael M. Thuita

Date: 28/09/2021



Project Coordinator
 Eng. Joseph Kamau

Date: 28/09/2021



Manager Finance & Accounting
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458

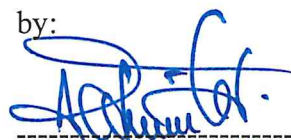
Date: 28/09/2021

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

8. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30TH JUNE 2021

	Note	2020/2021 KSH	2019/2020 KSH
Receipts for operating income			
Transfer from Government entities	11.1	100,000,000	75,000,000
Proceeds from domestic and foreign grants	11.2	17,650,176	72,995,710
Miscellaneous receipts	11.4	-	-
		117,650,176	147,995,710
Payments for operating expenses			
Compensation of employees	11.5	0	0
Purchase of goods and Services	11.6	0	0
Social Security Benefit	11.7	0	0
Transfer to government entities	11.9	0	0
Other grants and transfers	11.10	0	0
Net cash flow from operating activities		117,650,176	147,995,710
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	11.8	-781,910,581	-450,769,229
Net cash flows from Investing Activities		-781,910,581	-450,769,229
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	11.3	699,562,852	315,721,473
Net cash flow from financing activities		699,562,852	315,721,473
NET INCREASE IN CASH AND CASH EQUIVALENT			
		35,302,448	12,947,954
Cash and cash equivalent at BEGINNING of the year	11.14	12,947,954	0
Cash and cash equivalent at END of the year		48,250,401	12,947,954

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, 2021* and signed by:



Chief Executive Officer
 Eng. Michael M. Thuita

Date: 28/09/2021



Project Coordinator
 Eng. Joseph Kamau

Date: 28/09/2021



Manager Finance & Accounting
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458

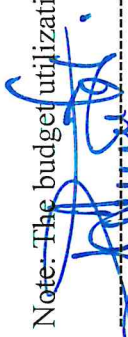
Date: 28/09/2021

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

9. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	100,000,000	0	100,000,000	100,000,000	0	100%
Proceeds from borrowings	800,000,000	-100,000,000	700,000,000	717,213,028	-17,213,028	102%
Total Receipts	900,000,000	-100,000,000	800,000,000	817,213,028	-17,213,028	
Payments						
Acquisition of non-financial assets	900,000,000	-100,000,000	800,000,000	781,910,581	18,089,419	98%
Total Payments	900,000,000	-100,000,000	800,000,000	781,910,581	18,089,419	


Note: The budget utilization/Performance differences are explained in Annex 1 of the financial statements.


 Chief Executive Officer
 Eng. Michael M. Thuita

Date: 28/09/2021


 Project Coordinator
 Eng. Joseph Kamau

Date: 28/09/2021


 Manager, Finance & Accounting
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458
 Date: 28/09/2021

10. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

10.3 Reporting entity

The financial statements are for the Support to water and Sanitation services in peri-Urban area Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

10.3.1 Reporting currency

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

10.4 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 partner

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Other receipts**

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

b) 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.

c) 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. These borrowing are accounted for on cash basis and recognized as receipts during the year they are received.

d) 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

e) 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)**

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 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 for the project and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) 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.

g) 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)

h) 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.

i) 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

j) 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.

k) 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 are 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.

l) 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.

m) 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 717,213,028** was received in form of direct payments from KfW

SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) 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.

o) 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.

p) 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, 2021

q) 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.

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

11.1 RECEIPTS FROM GOVERNMENT OF KENYA

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

	2020/2021	2019/2020	CUMULATIVE TO DATE
	Kshs		Kshs
<i>Counterpart funding through Ministry of Water and Sanitation</i>			
Counterpart funding Quarter 1	25,000,000	25,000,000	50,000,000
Counterpart funding Quarter 2		25,000,000	25,000,000
Counterpart funding Quarter 3		25,000,000	25,000,000
Counterpart funding Quarter 4	75,000,000	-	90,270,552
Appropriations-in-Aid			-
Total	100,000,000	75,000,000	190,270,552

11.2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the financial Year Ended 30th June 2021 AWWDA received Kshs 17,650,176 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	
						2020/2021	2019/2020
		Euro	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)							
N/A	N/A	N/A	N/A	N/A	N/A		
Grants Received from Multilateral Donors (International Organizations)							
KfW	2017/2018	135,750	-	16,578,550	0		
KfW	2018/2019	863,743		98,393,809	0	0	
KfW	2019/2020	639,335		72,995,710	0		72,995,710
KfW	2020/2021	137,249		17,650,176		17,650,176	
Grants Received from Local Individuals and organizations							
N/A	N/A	N/A	N/A	N/A	N/A		
Total	-	1,776,077	-	205,618,245	-	17,650,176	72,995,710

11.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the financial year ended 30 June 2021 proceeds from the loan amounted to Kshs **699,562,852** which was disbursed in form of direct payments for consultancy services.

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment	Total amount in Kshs	
					FY2020/2021	FY2019/2020
		Euro	Kshs	Kshs	Kshs	Kshs
Loans Received from Bilateral Donors (Foreign Governments)						
N/A	N/A	N/A	N/A	N/A		
Loans Received from Multilateral Donors (International Organizations)						
KFW	2015/2016	769,815		87,263,074		
KFW	2016/2017	77,038		8,907,569		
KFW	2017/2018	107,317		13,127,950		
KFW	2018/2019	578,966		66,983,811		
KFW	2019/2020	1,694,197		315,721,473		315,721,473
KFW	2020/2021	4,870,819		699,562,852		
Total		8,098,152	-	1,191,566,729	699,562,852	315,721,473

11.4 MISCELLANEOUS RECEIPTS

There were no miscellaneous receipts during the year

11.5 COMPENSATION OF EMPLOYEES

There was no compensation of Employee payment made through the project during the year.

11.6 PURCHASE OF GOODS AND SERVICES

SCOPE OF WORKS	2020/2021			2019/2020	CUMULATIVE TO DATE
	Payment Controlled by the Entity	Payment Controlled by the Third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Advertising	0	-	0	0	3,376,858
TOTAL	0	-	0	0	3,376,858

11.7 SOCIAL SECURITY BENEFIT

The project didn't make payment related to social security benefits during the year

11.8 ACQUISITION OF NON-FINANCIAL ASSETS

SCOPE OF WORKS	2020/2021		2019/2020	CUMULATIVE TO DATE
	Payment controlled by the entity	Payment controlled by the third party		
	KSH	KSH	KSH	KSH
Construction for Greater Githurai/Ruiru-Juja Water Supply Project-Lot 1	23,305,085	220,665,909	239,126,491	472,177,340
Construction for Kiserian-Ongata Rongai Water Supply project-Lot 2	30,625,249	399,915,443	111,251,328	541,792,020
The consultant for the work supervision	10,115,499	78,981,500	18,655,871	291,944,222
Consultant for Support to Technical Implementation-GFA	651,720	17,650,176	81,735,539	218,994,541
TOTAL	64,697,552	717,213,028	450,769,229	1,524,908,122

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

11.9 TRANSFERS TO OTHER GOVERNMENT ENTITIES

Under this project we did not have any transfers to other government agencies during the financial year

11.10 OTHER GRANTS AND TRANSFER AND PAYMENTS

The project didn't have other grants and transfers and payments

11.11 CASH AND CASH EQUIVALENTS C/FWD

DESCRIPTION	2020/2021	2019/2020
	Kshs	Kshs
Bank accounts	48,250,401	12,947,954
Cash in Hand		
Cash equivalents (short term deposits)		
Total	48,250,401	12,947,954

11.11 A Bank balances

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.

11.11 A. Bank Balance

	2020/2021	2019/2020
	Kshs	Kshs
Foreign Currency Accounts		
N/A	0	0
Total Foreign Currency balances	<u>0</u>	<u>0</u>
Local Currency Accounts		
Co-operative Bank of Kenya (A/c No 01141084618501)	48,250,401	12,947,954
Total local currency balances	48,250,401	12,947,954
Total bank account balances	48,250,401	12,947,954

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
Reports and Financial Statements
For the year ending June 30, 2021

11.11 B Cash in hand

The project did not have any cash in hand as at 30th June 2021

	2020/21	2019/2020
	KShs	KShs
Cash in Hand	0	0
Total	0	0

11.11C Cash equivalents (short term deposits)

The project didn't have any short-term deposits as at 30th June 2021

	2020/21	2019/2020
	KShs	KShs
Cash Equivalents	0	0
Total	0	0

11.12 ACCOUNTS RECEIVABLES

The project did not have any Accounts Receivable as at 30th June 2021

11.13 ACCOUNTS PAYABLES

The project did not have any Accounts Payable as at 30th June 2021

11.14 FUND BALANCE BROUGHT FORWARD

DESCRIPTION	2019/2020 KSH	2018/2019 KSH
Bank Accounts	12,947,954	0
Cash in Hand	-	-
Cash Equivalent (short-term deposits)		
Outstanding imp rest and advances		
Total	12,947,954	0

11.15 PRIOR YEAR ADJUSTMENT

There were no prior year Adjustments during the year ending 30th June 2021

11.16 CHANGE IN RECEIVABLE

No change in receivable

11.17 CHANGE IN ACCOUNTS PAYABLE

No change in accounts payable

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING ACCOUNTS PAYABLES

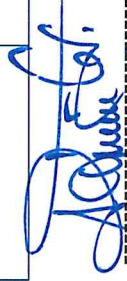
The project didn't have any Pending accounts payables as at 30th June 2021

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
<p>Other matters- Pending Bills</p>	<p>Note 10.1 to the financial statement reflects pending bills of Kshs. 126,479,016 in respect of construction of Kiserian-Ongata Rongai Water Supply Project-Lot 2. Available information indicated that works valued at Kshs 237,730,345 were certified for payment. However, of the certified amount, only kshs .111,251,329 was paid out, being a share between the donor (Kshs 87,478,294)and the Government of Kenya(Kshs.23,773,035),leaving a balance of Kshs.126,479,019 which was part of the GOK obligation unsettled. Management attributed non-settlement of the entire amount to a</p>	<p>The outstanding amount of Kshs 126,479,019 was the be settled by the donor and not the Government of Kenya. The Advance payment was certified as payable on 26th March, 2020 and forwarded to the Ministry of Water sanitation and Irrigation for onward submission to the donor Via the National Treasury. The payment was locked out in the FY2019/20</p>	<p>Resolved</p>	<p>Immediately</p>

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	reduction of project budget from an original approved budget of Kshs 600,000,000 to Kshs.500,000,000. However. reason for reduction were not provided despite there being knowledge of planned and ongoing project activities	Budget as a result of the reduction of project budget. The advance payment was fully settled on 24 th August 2020 under the FY 2020/2021 budget.		


 Chief Executive Officer
 Eng. Michael M. Thuita

 Date: 28/09/2021


 Project Coordinator
 Eng. Joseph Kamau

 Date: 28/09/2021



 Manager Finance & Accounting
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458
 Date: 28/09/2021

14.ANNEXES
 ANNEX 1 VARIANCE EXPLANATIONS –COMPARATIVE BUDGET AND ACTUALS

VARIANCE EXPLANATIONS-COMPARATIVE BUDGET AND ACTUAL AMOUNTS						
Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization difference	% of utilization	Explanations of variances	
	a	b	c=a-b	d=b/a%		
Receipts	Kshs	Kshs	Kshs	Kshs		
Transfer from Government entities	100,000,000	100,000,000	0	100%		
Proceeds from borrowings	700,000,000	717,213,028	-17,213,028	102%	Within Budget	
Total Receipts	800,000,000	817,213,028	-17,213,028			
Payments						
Acquisition of non-financial assets	800,000,000	781,910,581	18,089,419	98%	Within Budget	
Total Payments	800,000,000	781,910,581	18,089,419			

Support to Water and Sanitation Services in Peri-Urban Area (Credit No. BMZ NO.2013.6543.6)
 Reports and Financial Statements
 For the year ending June 30, 2021

ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:				
Break down of Transfers from the State Department of Water				
a.	Government Counterpart Funding			
		<u>Bank Statement Date</u>	<u>Amount (K.Shs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Quarter 1	17/9/2021	25,000,000	FY2020/2021
	Quarter 2,3&4	30/6/2021	75,000,000	FY2020/2021
	Total		100,000,000	
b.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (K.Shs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A		0	
	Total		0	
c.	Others			
		<u>Bank Statement Date</u>	<u>Amount (K.Shs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A		0	
	Total		0	
	TOTAL(a+b+c)		100,000,000	

ANNEX 3A-ANALYSIS OF PENDING BILLS

The project did not have any pending bills as at 30th June 2021

ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

ANNEX 4-SUMMARY OF FIXED ASSET REGISTER					
Asset Class	Opening Cost (Kshs)2019/2020	Purchase /Additions in the year (Kshs) 2020/21	Disposal in the year(Kshs) 2020/21	Transfers in/(out)Kshs 2020/21	Closing Cost (Kshs) 2020/21
	a	b	c	d	e=a+b-④+(-)d
Work in Progress	753,917,687	781,910,581	0	0	1,535,828,268