

THE NATIONAL ASSEMBLY  
PAPERS LAID

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

NATIONAL ASSEMBLY  
**RECEIVED**

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DEPUTY CLERK  
P.O. Box 41842 - 00100, NAIROBI

**WATER AND SANITATION SERVICES  
IMPROVEMENT PROJECT  
(IDA CR. NO.5103 - KE)**

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

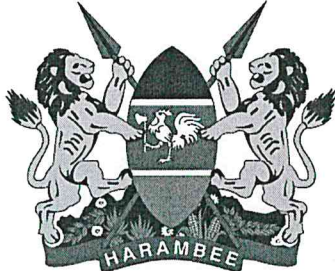
**LAKE VICTORIA NORTH WATER WORKS  
DEVELOPMENT AGENCY**





**Water and Sanitation Services Improvement Project –Additional Financing**  
**Statement of Affairs**  
**For the financial year ended June 30, 2021**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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P. O. Box 2042-50100, KAKAMEGA



**Project Name** Water and Sanitation Services Improvement Project

**Implementing Entity** Lake Victoria North Water Works Development Agency

**PROJECT GRANT/CREDIT NUMBER** 5103 KE

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**STATEMENT OF AFFAIRS AS AT**  
**JUNE 30, 2021**

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*Water and Sanitation Services Improvement Project –Additional Financing*  
*Statement of Affairs*  
*For the financial year ended June 30, 2021*

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## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

Name: *Water and Sanitation Services Improvement Project –Additional Financing*

#### **Objective:**

The development objectives of the project were to: (a) increase access to reliable, affordable and sustainable water supply and sanitation services; and (b) to improve the water and wastewater services in the areas served by LVNWWDA, CWWDA and AWWDA. This was to be achieved by (i) Rehabilitating selected existing water production, transmission, storage and distribution facilities and wastewater collection, treatment and disposal facilities; (ii)expanding piped water supply services to under-served areas through the extension of primary and secondary distribution pipes where required (this would include service expansion into urban slums / informal settlements through a balanced program including the involvement of communities in decision making); and (iii)refining and strengthening the institutional structure, emphasizing on increasing accountability and transparency of the institutional, governance and management framework.

#### **REGISTERED OFFICE**

Lake Victoria North Water Work Development Agency  
P.O. Box 673-50100,  
Kefinco House,  
Off Kakamega-Kisumu Road  
KAKAMEGA.

### 1.2 Project Information

Project Start Date:	The project start date is <b>14/12/2012</b>
Project End Date:	The project end date is <b>31/12/2019</b>
Project Manager:	The project manager is <b>Eng. Christopher Bwire</b>
Project Sponsor:	The project sponsor is <b>World Bank and Government of Kenya</b>

### 1.3 Project Overview

Water and sanitation improvement project -IDA 5103-KE is under the supervision of Ministry of Water, Sanitation and Irrigation.

#### Strategic goals of the project

The project had three components being implemented by AWWDA, CWWDA and LVNWWDA. The goals of component three was to Provide support to LVNWWDA by;

- Rehabilitation and extension of the existing water supply systems
- Strengthening the capacity of LVNWWDA and Water Service Providers operating within its Area.
- Preparing and implementing long and medium term drought mitigation plans in the LVNWWDA Service Area, LVSWWDA Service Area and RVWWDA Service area
- Technical assistance to the LVNWWDA and its water services providers.
- Implementing the Resettlement Policy Framework, including RAPs prepared under the RPF for this Part 3.
- Operation of the LVNWWDA.

#### 1. Rehabilitation and extension of the existing water supply systems

- **Financing Gap(US\$2.7 million)**

This sub-component was part of the outstanding payments for the Rehabilitation and development of new water supplies for Mumias, Lumakanda/Kipkaren ,Kaimosi/Serem/Hamisi and Supervision for Mumias under WaSSIP original credit.

- **Construction of Elligirini Pipeline and expansion of Kapsoya Treatment works (US\$6.76 million).**

This sub-component was to contribute 9,000m<sup>3</sup>/ day to the water requirements for the town of Eldoret and its Environs . The project was completed and handed over to Eldoret Water service provider.

- **Improvement of water and sanitation in the informal settlements in Mumias (US\$0.625 million).**

Pipeline extension and Construction of 2 No ablution blocks with septic tanks to serve 12,000 people in the informal settlements of Mumias . The project was completed and handed over to Kakamega County Water service provider.



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- **Construction of Upstream Water Treatment Works and Distribution Lines, (Additional investment in Kapcherop) US\$ 1.245 Million.**

Constructed Water supply of capacity 600m<sup>3</sup>/day to supply upstream community of approx 8,000 people with potable water. The project was completed and handed over to Elgeyo Marakwet County Water service provider. The project stopped working due to failure of County Government to follow up on Operation & Maintenance, coupled with derailing of intake due to upstream activities.

**2. Strengthening the capacity of LVNWWDA and Water Service Providers operating within its Area (US\$3.59 million )**

This sub-component included supporting the agency by procuring the following goods, services and consultancies;

- Consultancy services for communication
- Carried out Staffing Needs Assessment for the Agency (Human Resources Department)
- Carried out Water and Sanitation Service Levels Survey in the Board Area
- Technical assistance for Environmental and Quality Management Systems implementation
- Technical Assistance for Assessment of Financial Management Information System for Water Service Providers and the Agency
- Consultancy, preparation of investment plan for LVNWSB
- Water Metering Programme for WSPs (in Lots) Lot 1: Ordinary Meters; Lot 2: Zonal/Bulk meters
- Supplied and Installed for LVNWSB and WSPs (a) Office equipment; (b) integrated information system/ electronic information system; c) Specialized software
- Procured communication materials and services as per communication strategy
- Procured of Intranet system for the Agency, Voice over internet protocol VoIP software, MIS for the Agency
- Procure/Upgrade billing/accounting software for WSPs/WWDA
- Supplied and delivered goods for Non-Revenue Water, Leak detection and GIS Equipment for WSP for Mumias and Kimilili towns water supply schemes.

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- Training and capacity building for LVNWWDA and its water service providers (US\$0.68million)  
This entailed training for project teams and WSPs staff to enhance capacity in delivery of the overall project objectives. All project team members and key personnel in the WSPs were trained.

**3. Implementation of drought mitigation measures (US\$15.04 million) LVNWWDA Service Area, LVSWWDA Service Area and RVWWDA Service area**

- Drilled and equipped of 14 No. Drought Boreholes for LVNWSB, 25No. Drought Boreholes for RVWSB and 10 No. Drought Boreholes LVSWSB
- Rehabilitated and Expanded Kwanza Water Supply for LVNWSB, Suswa, Kapindaram and Kapenguria for RVWSB
- Constructed 100 No. plinths/gutters and installed 10,000lts plastic water tanks for LVNWSB, 200 No. for RVWSB and 100 No. for LVSWSB.
- Procured 400 No. Plastic tanks
- Procured 18m<sup>3</sup> Water Bowsers/10 ton Lorries, Operational Vehicles, collapsible Tanks, Stand-by submersible pumps and Mobile treatment units

**4. Technical assistance to the LVNWWDA and its water services providers(US\$2.25 million)**

- Feasibility Study ,Detailed design and supervision of rehabilitation and extension of the existing water supply systems
- Feasibility Study ,Detailed and final designs for works to be financed in future
- Preparation of environmental impact assessments for indicative projects
- Preparation of Water and Sanitation master plans

**5. Implementing the Resettlement Policy Framework, including RAPs prepared under the RPF for this Part 3. And Operations cost of the LVNWWDA . (US\$2.25 million)**

**Project Duration**

The project started on 10<sup>th</sup> May 2012 and was expected to run for 5 years. It however got extended to 30<sup>th</sup> April 2020 having the final disbursement date as 30<sup>th</sup> June 2020.

**1.4 Bankers**

The following are the bankers for the Project:

**(i) Special Account:**

CFC STANBIC BANK KENYA

CBK/GOK PART3 LAKE VICTORIA NORTH SERVICES BOARD

Account No 0100000488277

**(ii) Project Account:**

Standard Chartered Bank

Kakamega Branch

KAKAMEGA.



### **1.5 Auditors**

The project was audited by the;  
Auditor General  
The office of the Auditor General  
P.O. Box 30084-00100  
NAIROBI.

### **1.6 Project Governance**

The Project's governance framework required the stakeholders to uphold the highest professional, ethical, moral and legal standards. This was achieved through effective segregation of duties with clear checks and balances as articulated in the Project Loan/Credit Agreement, the PFM Act, 2012, the Project Design Report, the Implementation Manual and the Finance and Procurement Manuals.

#### **1.6.1 The Project Steering Committee (PSC)**

This Committee was responsible for overseeing the implementation of the Project, approving the annual work plan and budget, and ensuring that the activities comply with the donor and government policies.

#### **IDA, World Bank**

These were the project sponsors. They were responsible for reviewing and approving the project's withdrawal applications, expenditure justifications, no objection requests, reviewing and approving the annual work plan and budget, expenditure category reallocation request, and participating in implementation support missions.

#### **The Parent Ministry**

The parent ministry ensured that the Project's budget was captured in its development projects and disbursed the government counterpart funding. The ministry reviewed and tracked the Project's annual work plan and budget against the set targets and made approvals. The parent ministry also oversaw the execution of the project coordinating team.

#### **The Auditor**

The Supreme Audit Institution in Kenya, that is, the Office of the Auditor General, is mandated by the Constitution of Kenya Chapter 12, Part 6, and Article 229 which establishes the Office of the Auditor General. Chapter 15, Article 248, Section 3 and Article 249, Section 2

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(a) and (b) and section 10 of the Public Audit Act, 2015 provide for the independence of the Office of the Auditor General.

The Auditor General is mandated to audit all national government entities, which include government development projects and present these statutory financial statements to the Parliament. This facilitates the submission of the audited report to the project's sponsors by 31 December each year.

**Project Coordinating Team (PCT)**

This team was based in Kakamega and was responsible for the project management and coordination functions. The PCT comprises of the Project Coordinator and a team of Technical Officers. The PCT is also supported by other administrative staff.

These key staffs during the year , which form the project coordinating team that were involved in the day to day management of the project and its implementation, are:

Name and contact details	Title designation	Qualifications	Responsibilities
Cleophas Mutoro	Program Coordinator	BSC .Civil Eng	Coordination of the day to day activities of the Program.
Fredrick Toloyi	Finance Management Expert	B. Com,CPA (K).	Management of the finance functions of the Program.
Joseph Makari	Procurement Expert	MSc. Procurement & Logistics BSc. Purchasing and Supplies Chain Management	Responsible for the management of the procurement process of goods and services, and safety of the assets.



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### 1.7 Funding summary

The Project is for duration of 7 years from 2013 to 2020 with an approved budget of US\$ 34,990,184 equivalent to Kshs 3,252,230,091 as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 June 2020)		Undrawn balance to date (30 June 2020)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
IDA-Loan	17,159,581	1,588,241,778	17,159,581	1,588,241,778	-	-
IDA-Grant	15,044,633	1,392,488,313	15,044,633	1,392,488,313	-	-
Government of Kenya-Counterpart funds	2,785,970	271,500,000	2,785,970	271,500,000	-	-
<b>Total</b>	<b>34,990,184</b>	<b>3,252,230,091</b>	<b>34,990,184</b>	<b>3,252,230,091</b>	<b>-</b>	<b>-</b>

### 1.8 Summary of Overall Project Performance:

IDA disbursed USD 32,204,214 while GOK disbursed 2,785,970 which is approximately 100% of the project value. The commitments for the project were valued at 100% of the project value and several projects were completed during the year. Some of these projects include; Elligirini Pipeline and expansion of Kapsoya Treatment works, Kwanza, Suswa, Kapindaram, Kapenguria Water supply systems and boreholes in LVSWWDA and RVWWDA regions.

Largely outputs and impacts of the project have been realised with the Agency following up on the few projects still experiencing operation and maintenance challenges.

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Implementation of the project is generally satisfactory and the project is on track to achieve its objectives. The project has led to a rise in the number of people provided with access to improved water and sewerage services.

Challenges faced during implementation were:

- a) The lengthy procurement process with a lot of consultation between the Agency and the World Bank.
- b) Land compensation for way leaves and project sites.
- c) Inadequate counterpart funding
- d) Insecurity in pastoralist communities
- e) Capacity of some water service providers and communities to operate and maintain the water systems handed over.

### **1.9 Summary of Project Compliance:**

The statement of affairs have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB

The statement of affairs comply with and conform to the form of presentation prescribed by the PSASB.

The statement of affairs comply with the financing agreement and project appraisal document.

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

Nothing has come to the knowledge of management of instances of non-compliance

### **1.10 STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES**

#### **Introduction**

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

The key development objectives of the project's 2018-2022 plan are to:

1. Increase access to reliable, affordable, and sustainable water supply and sanitation services;
2. Improve water and wastewater services in the areas served by LVNWWDA



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**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:

Item	Project Name	Objective	Outputs	Outcome	Impact	Challenges
1	Construction of Upstream Water Treatment Works and Distribution Lines, (Additional investment in Kapcherop)	Additional supply to upstream community – 8,000 people with potable water	<ul style="list-style-type: none"> <li>• Raw water pumping station of capacity 600m<sup>3</sup>/day constructed</li> <li>• 44Km of pipelines laid.</li> <li>• A 600m<sup>3</sup>/day water treatment plant constructed.</li> <li>• 11No water storage constructed.</li> <li>• 13 No. Water Kiosks constructed</li> <li>• Kapcherop Town Water supply Rehabilitated.</li> </ul>	Water supply of capacity 600m <sup>3</sup> /day constructed	As at the time of End of DLP on 14/03/2017 the project served 8,500 people	The project stopped working due to failure of County Government to follow up on O&M matters, coupled with derailing of intake due to upstream activities.
2	Ellegerini Pipeline and Expansion of Kapsoya Treatment Works	To contribute 9,000m <sup>3</sup> /day to the water requirements for the Eldoret for	<ul style="list-style-type: none"> <li>• 16.6km raw water gravity main from Ellegerini dam to Kapsoya water treatment works,</li> <li>• Construct</li> </ul>	Water supply of capacity 9,000m <sup>3</sup> /day constructed	180,000 people served	None.

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Item	Project Name	Objective	Outputs	Outcome	Impact	Challenges
		year 2018	<p>new water treatment plants of capacity 3,500 m<sup>3</sup>/day and 2,000 m<sup>3</sup>/day at Kapsoya and Naiberi respectively ,</p> <ul style="list-style-type: none"> <li>• Rehabilitation of existing 3,500 m<sup>3</sup>/day water treatment plant at Kapsoya</li> <li>• Laying of 19.3Km of distribution piping</li> </ul>			
Item	Project Name	Objective	Outputs	Outcome	Impact	Challenges
3	Construction of Water and Sanitation facilities for Informal Settlements in Mumias (Shibale, Lukoye, Mjini and Lumino)	Pipeline extension to serve 12,000 people in the informal settlements of Mumias	<ul style="list-style-type: none"> <li>• Lay 6.3 Km of water pipelines</li> <li>• Construct 2 No ablution blocks with septic tanks.</li> <li>• Construct 3 No water kiosks and 50 No. yard taps</li> <li>• Water connections through yard taps, individual connections</li> </ul>	600 water connections	12,000 people benefiting from the project	12,000 people
4	Rehabilitation/Expansion of Water Supplies for RVWSB -	Kamasai: Provide the year 2037 water requirement	(i) Existing borehole equipped with a 7m <sup>3</sup> /hour capacity pump run by solar and	Water supply of capacity 160m <sup>3</sup> /day constructed	900 people served	

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Item	Project Name	Objective	Outputs	Outcome	Impact	Challenges
	Kapindaram Water Supply	s for Kamasai village of 156m <sup>3</sup> /day to benefit 884 people	<ul style="list-style-type: none"> <li>(ii) Laid 3.3Km of piping.</li> <li>(iii) Constructed 1 No water kiosks and rehabilitated 1 No existing one.</li> <li>(iv) Constructed 2 No cattle troughs.</li> <li>(v) Constructed 1 No 50m<sup>3</sup> masonry storage tank..</li> </ul>	d		
4		Kapnosgei Provide the year 2037 water requirements for Kapnosgei village of 138m <sup>3</sup> /day to benefit 965 people	<ul style="list-style-type: none"> <li>(i) 1No existing water pan and borehole pump house rehabilitated.</li> <li>(ii) 1 New borehole drilled to a depth of 180m.</li> <li>(iii) Borehole equipped with a solar pump of capacity 10m<sup>3</sup>/hour.</li> <li>(iv) Constructed 1 No 50m<sup>3</sup> masonry storage tank.</li> <li>(v) Laid 10.1Km of water piping.</li> <li>(vi) Constructed 8No animal troughs and 4 water kiosks.</li> </ul>	Water supply of capacity 240m <sup>3</sup> /day constructed	2,900 people served	
4		Kapindaram Provide the year 2037 water requirements for Emsos	<ul style="list-style-type: none"> <li>(i) Protected 1 No spring.</li> <li>(ii) Constructed 2 No 50m<sup>3</sup> water storage masonry tanks and rehabilitated an</li> </ul>	Water supply of capacity 600m <sup>3</sup> /day constructed	200 people served	Experiencing leakages in the gravity main pipeline constructed



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Item	Project Name	Objective	Outputs	Outcome	Impact	Challenges
		location of 272m <sup>3</sup> /day to benefit 3,044 people	existing one of capacity 150m <sup>3</sup> . (iii) Laid 9.8Km of pipelines and rehabilitated existing gravity main steel piping. (iv) Constructed 3 No animal troughs and 2No water kiosks and an administration house.			before the project.
5	Rehabilitation/Expansion of Water Supplies for LVNWSB - Kwanza Water Supply	Provide the year 2015 water requirements for Kwanza and Keiyo locations in Kwanza subcounty of 4000m <sup>3</sup> /day for the year 2015 to benefit 78,000 people	<ul style="list-style-type: none"> <li>• One raw water pumping station of capacity 165m<sup>3</sup>/hour constructed</li> <li>• 31Km of pipelines laid.</li> <li>• A 4,000m<sup>3</sup>/day water treatment plant constructed.</li> <li>• 3No existing water storage tanks at Lunyu, Kolongololo and Eluuya rehabilitated.</li> <li>• Water supply electrified.</li> </ul>	Water supply of capacity 4,000m <sup>3</sup> /day constructed	1,200 people served	The water source of Asega dam failed leaving the water supply with no reliable source of water
6	Kapenguria	To rehabilitate Kapenguria and Makutano towns water supply systems to reinstate the design	<ul style="list-style-type: none"> <li>(i) A new composite filtration water treatment plant of capacity 600m<sup>3</sup>/day constructed.</li> <li>(ii) 5New pumps installed.</li> <li>(iii) 4 No pressed steel tanks</li> </ul>	Water supply of capacity 1,360m <sup>3</sup> /day constructed	38,400 people served	Water Service Provider has no capacity to operate and maintain the water supplies

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Item	Project Name	Objective	Outputs	Outcome	Impact	Challenges
		capacity of 1,260m <sup>3</sup> / to benefit 36,000 people	rehabilitated 9capacity 110, 110, 50 and 30m <sup>3</sup> ) (iv) 8Km of pipelines laid.			
7	Rehabilitation/Expansion of Water Supplies for RVWSB - Suswa	Suswa Provide the year 2037 water requirements for Emsos location of 272m <sup>3</sup> /day to benefit 11,830 people	(i) 51Km of piping laid. (ii) 2 No tanks of masonry tanks constructed. (iii) A pump of capacity 45 m <sup>3</sup> /hour installed. (iv) 4 No water kiosks, 4 No wild animal troughs and 3 No cattle troughs constructed.	Water supply of capacity 1,080m <sup>3</sup> /day constructed	3,400 people	Water supply experiencing inadequate power supply to sustain pumping. KPLC installing a new transformer to upgrade power supply.
7		KwaMuhia Provide the year 2037 water requirements for Emsos location of 1,400m <sup>3</sup> /day to benefit 15,838 people	(v) A pump of capacity 20m <sup>3</sup> /hour to run by solar and KPLC power installed. (vi) 1.4Km of rising main piping laid.	Water supply of capacity 500m <sup>3</sup> /day constructed	6,300 people	
8	Drilling and equipping of 15 No. Drought Boreholes for LVNWSB; 25 No. Drought Boreholes for RVWSB;	• To supply 49 different communities with water and mitigate impact of drought	49 No. boreholes drilled and capped Design of water supplies with these boreholes as water sources	49 No. Water supplies constructed and utilizing these boreholes as water	24,400 people served	Certain boreholes were dry and this delayed certain contacts although all the

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Item	Project Name	Objective	Outputs	Outcome	Impact	Challenges
	and 10 No. Drought Boreholes LVSWSB	in selected areas of LVNWSB, RVWSB and LVSWSB	going on. Inception report submitted.	sources.		numbers were achieved and target outcome was achieved.
9	Construction of 100 No. plinths/gutters for plastic water tanks 10,000lts for LVNWSB; 200 for RVWSB and 100 for LVSWSB	<ul style="list-style-type: none"> <li>To support 400 learning institutions (schools) in different communities with rainwater harvesting for drought mitigation in selected points of LVNWSB, RVWSB and LVSWSB</li> </ul>	<ul style="list-style-type: none"> <li>400 No. water tanks have been installed and operationalized</li> </ul>	400 Schools supplied 10000ltrs water and equipped with plinths and gutters	75,000 people served	Contracts for installation of gutters has delayed, while certain sites were changed due to dynamics of county governments



**2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Accounting Officer, Lake Victoria North Water Works Development Agency and the Project Coordinator, are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2021. 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 Accounting Officer, Lake Victoria North Water Works Development Agency and the Project Coordinator 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 Accounting Officer, Lake Victoria North Water Works Development Agency and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2018, and of the Project's financial position as at that date.

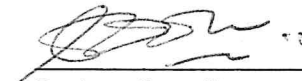
The Accounting Officer, Lake Victoria North Water Works Development Agency and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

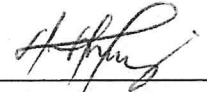
The Accounting Officer, Lake Victoria North Water Works Development Agency and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

The Project financial statements were approved by the The Accounting Officer, Lake Victoria North Water Works Development Agency and the Project Coordinator on 28<sup>th</sup> October, 2021 and signed by them.

  
\_\_\_\_\_  
Accounting Officer  
Eng .Gongi S.P

  
\_\_\_\_\_  
Project Coordinator  
Cleophas Mutoro (P.Eng.Tech)  
Member No.0186

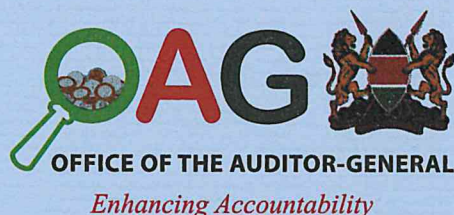
  
\_\_\_\_\_  
Project Accountant  
CPA Fredrick Toloyi  
ICPAK Member no.5922





# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON WATER AND SANITATION SERVICES IMPROVEMENT PROJECT (IDA CR. NO. 5103 - KE) FOR THE YEAR ENDED 30 JUNE, 2021 – LAKE VICTORIA NORTH WATER WORKS DEVELOPMENT AGENCY**

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### PREAMBLE

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

- A. Report on the financial statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for 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 Water and Sanitation Services Improvement Project (IDA CR. No.5103 - KE) set out on pages 1 to 22, which comprise the statement of financial assets and liabilities as at 30 June, 2021, and statement of receipts and payments, statement of cash flows and 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 Water and Sanitation Services Improvement 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 No.5103-KE dated 21 June, 2012, and the Subsidiary Loan Agreement dated 17 December, 2012, between International Development Association (IDA) and the Republic of Kenya, and the Public Finance Management Act, 2012.

In addition, the special accounts statement presents fairly the special accounts transactions and the closing balance has been reconciled with the books of account.

### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Water and Sanitation Services Improvement Project - Lake Victoria North Water Works Development Agency in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. There were no key audit matters to report in the year under review.



## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Unsupported Expenditure**

The statement of receipts and payments reflects an expenditure of Kshs.1,818,688 under operating expenses which, as shown under Note 8.8, relates to fuel, advertisement, staff travel, monitoring and evaluation, and others. However, the expenditure was not supported by an approved budget and taskforce reports. No explanation was provided for the failure to support the expenditure, as a result of which, the propriety of the expenditure could not be confirmed.

#### **2. Failure to Close the Project**

The Project, with a budget of US\$ 34,990,184 (equivalent to Kshs.3,252,230,091), commenced on 14 December, 2012, and was to last for seven (7) years up to 2019 but was extended to 2020. However, as at the time of audit, in October, 2021, the project had not been closed. No explanation was provided for the failure to close the project at the expiry of its life time. Consequently, any expenditure and decisions made during the period the project had expired may not be supported by law and the propriety of the involved expenditure may be unlawful.

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 such internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how the entity 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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work are limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 time 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 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving assurance on the effectiveness of the Project's 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.

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

I communicate with 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

30 November, 2021





*Water and Sanitation Services Improvement Project –Additional Financing*  
*Statement of Affairs*  
*For the financial year ended June 30, 2021*


**4. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021**

	Note	FY2020/2021		FY2019/2020		Cumulative to-date
		Receipts and Payments by the entity	Receipts and Payments by third parties	Receipts and Payments by the entity	Receipts and Payments by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
<b>RECEIPTS</b>						
Transfer from Government entities	8.3	-	-	46,500,000	-	271,500,000
Loan from external development partners	8.4a	-	-	149,249,147	-	1,588,241,778
Grants from external development partners	8.4b	-	-	212,115,963	-	1,392,488,313
Miscellaneous receipts	8.5	187,307	-	3,439,508	-	94,649,768
<b>Total receipts</b>		<b>187,307</b>	<b>-</b>	<b>411,304,618</b>	<b>-</b>	<b>3,346,879,860</b>
<b>PAYMENTS</b>						
Goods, Works, Training and Services (a)(b)(d)	8.6	-	-	161,212,253	-	1,744,599,012
Goods, Works and Services (c)	8.7	-	-	212,115,963	-	1,392,488,313
Operating costs	8.8	1,818,688	-	36,723,050	-	209,752,846
<b>TOTAL PAYMENTS</b>		<b>1,818,688</b>	<b>-</b>	<b>410,051,266</b>	<b>-</b>	<b>3,346,840,170</b>
<b>WaSSIP Refund</b>						
<b>SURPLUS/DEFICIT FOR THE YEAR</b>		<b>(1,631,381)</b>	<b>-</b>	<b>1,253,352</b>	<b>-</b>	<b>39,690</b>

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The entity financial statements were approved on **28<sup>th</sup> October, 2021** and signed by:

  
 Accounting Officer  
 Eng Gongi S. P

  
 Project Coordinator  
 Cleophas Mutoro (P.Eng.Tech)  
 Member No.0186

  
 Project Accountant  
 CPA Fredrick Toloyi  
 ICPAK Member no.5922

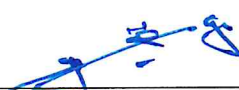
*Water and Sanitation Services Improvement Project –Additional Financing  
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For the financial year ended June 30, 2021*


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**5. STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 30TH JUNE 2021**

	Note	2021 Kshs	2020 Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	8.10A	39,690	1,671,070
Imprests and Advances	8.10B	-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>39,690</b>	<b>1,671,070</b>
<b>REPRESENTED BY:</b>			
Cash and cash equivalents b/fwd	8.11	1,671,070	417,718
Surplus/Deficit for the year	8.12	(1,631,381)	1,253,352
Prior year adjustments		-	-
<b>NET FINANCIAL POSITION</b>		<b>39,690</b>	<b>1,671,070</b>

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Project Accountant  
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ICPAK Member No.5922

*Water and Sanitation Services Improvement Project –Additional Financing*  
**Statement of Affairs**  
*For the financial year ended June 30, 2021*


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**6. STATEMENT OF CASHFLOW FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2021**

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Receipts for operating income</b>		
Transfer from Government entities	0	46,500,000
Proceeds from domestic and foreign grants	0	212,115,963
Miscellaneous receipts	187,307	3,439,508
<b>Payments for operating expenses</b>		
Purchase of goods and services	1,818,688	(36,723,050)
<b>Net cash flow from operating activities</b>	<b>(1,631,381)</b>	<b>225,332,421</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of Assets	0	(373,328,216)
	0	
<b>Net cash flows from Investing Activities</b>		<b>(373,328,216)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>		
Proceeds from Foreign Borrowings	0	149,249,147
<b>Net cash flow from financing activities</b>	<b>0</b>	<b>149,249,147</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	<b>(1,631,381)</b>	<b>1,253,352</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>	<b>1,671,070</b>	<b>417,718</b>
<b>Cash and cash equivalent at END of the year</b>	<b>39,690</b>	<b>1,671,070</b>

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*Water and Sanitation Services Improvement Project –Additional Financing*  
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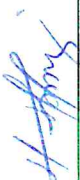
**7. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

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

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Variance e=d-c	% of Variance f=e/c %
<b>Receipts</b>						
Transfer from Government entities	-	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-	-
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Miscellaneous receipts	1,858,379	-	1,858,379	1,858,379	-	-
<b>Total Receipts</b>	<b>1,858,379</b>	<b>-</b>	<b>1,858,379</b>	<b>1,858,379</b>	<b>-</b>	<b>-</b>
<b>Payments</b>						
Goods, Works, Training and Services (a)(b)(d)	-	-	-	-	-	-
Goods, Works and Services (c)	-	-	-	-	-	-
Operating costs	1,858,379	-	1,858,379	1,818,688	39,690	2%
<b>Total Payments</b>	<b>1,858,379</b>	<b>-</b>	<b>1,858,379</b>	<b>1,818,688</b>	<b>39,690</b>	<b>2%</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,690</b>	<b>39,690</b>	<b>-</b>

  
 Eng Gongi S. P

  
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 Member No.0186

  
 Project Accountant  
 Fredrick Toloyi  
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## 8. NOTES TO THE FINANCIAL STATEMENTS

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

### 8.1. Basis of Preparation

#### 8.1.1. 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.

#### 8.1.2. Reporting entity

The financial statements are for the *Water and Sanitation Services Improvement Project-Additional Financing* under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

#### 8.1.3. 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.

### 8.2. 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 shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

**Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

**Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

• **Other receipts**

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

**b) Recognition of payments**

The Project recognises all payments when the event occurs and the related cash has actually been paid out by the Project.

• **Compensation of employees**

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

• **Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

• **Interest on borrowing**

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

**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**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**c) In-kind donations**

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**Restriction on cash**

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

**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 is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**f) 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.

**g) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project’s budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project’s actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

**h) Third party payments**

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties’ column in the statement of receipts and payments.

During the year no disbursements were received in form of direct payments from third parties.



**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) 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.

**j) 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.

**k) 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.

**l) 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.

*Water and Sanitation Services Improvement Project –Additional Financing  
Statement of Affairs  
For the financial year ended June 30, 2021*

**8.3 RECEIPTS FROM GOVERNMENT OF KENYA**

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

	2020/21 Kshs	2019/20 Kshs	Cumulative to-date
<i>Counterpart funding through MEWNR</i>			
Counterpart funds Quarter 4	-	46,500,000	271,500,000
	-----	-----	-----
	-	46,500,000	271,500,000
	=====	=====	=====

**8.4 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS**

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

Name of Donor	Date received	Amount in loan currency	Loans received in cash				Total amount in Kshs	FY 2014/15	FY 2013/14	FY 2012/13	Remarks
			FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17					
		USD					Kshs	Kshs	Kshs	Kshs	
Loans Received											
World Bank											
World Bank(IDA)	12/03/2013	5,180,447								433,240,783	Project Account
World Bank(IDA)	18/06/2013	4,479,006							385,294,080		Project Account
World Bank(IDA)	21/01/2014	882,500									FOREX DIF-MWI
World Bank(IDA)	13/03/2014	1,656,533							143,140,584		Project Account
World Bank(IDA)	13/03/2014	1,296,126					131,816,014				Project Account
World Bank(IDA)	12/02/2015	2,272,729						206,953,520			Project Account
World Bank(IDA)	07/01/2016	4,000,000			0	404,000,000					Project Account
World Bank(IDA)	22/03/2017	3,253,630			0	337,499,000					Project Account
World Bank(IDA)	22/03/2017	746,370		0	77,421,000						Project Account
World Bank(IDA)	30/06/2017	4,856,255		0	500,000,000						Project Account
World Bank(IDA)	15/07/2019	143,745	14,800,000								Project Account
World Bank(IDA)	03/02/2020	3,436,782	346,565,110								Project Account
<b>Total</b>		<b>32,204,123</b>	<b>361,365,110</b>	<b>0</b>	<b>577,421,000</b>	<b>741,499,000</b>	<b>131,816,014</b>	<b>206,953,520</b>	<b>528,434,664</b>	<b>433,240,783</b>	

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**8.5 MISCELLANEOUS RECEIPTS**

	<b>FY 2020/21</b>	<b>FY 2019/20</b>	<b>Cumulative</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Other income	187,307	3,439,508	94,649,768
	<u>187,307</u>	<u>3,439,508</u>	<u>94,649,768</u>

**8.6 Loan**

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Works</b>		
Construction of Elligirini Pipeline and and expansion of Kapsoya Treatment works.	-	83,247,933
Construction of Upstream Water Treatment Works and Distribution Lines, (Additional investment in Kapcherop)	-	-
<b>Total</b>	-	<b>83,247,933</b>
<b>Consultancies</b>		
FS study review, design and Supervision of Kapsoya Treatment Works and Supervision of Elligirini Pipeline	-	2,643,455
FS and Final Design for Kipkarren Dam T Works and Associated Distribution lines	-	1,000,000
Carry out Water and Sanitation Service Levels Survey in the Board Area	-	-
Consultancy for Eldoret water master plan	-	-
TA for Resettlement Action Plan(RAP) for Kipkarren dam Water Supply,Ellegirini/Kapsoya Project,Additional Works for Kapcherop Projects	-	-
Feasibility Study ,Detailed design and supervision for a gravity Scheme for Indigeneous People(Kapcherop)	-	1,329,500
Intergrated sanitation master plan for eldoret and selected satelite towns.	-	-

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<b>Total</b>	-	<b>4,972,955</b>
<b>Goods</b>		
Procure/Upgrade billing/accounting software for WSPs/WSB	-	1,760,000
Supply and delivery of goods for Non-Revenue Water for Mumias and Kimilili towns water supply schemes.	-	70,313,340
<b>Total</b>	-	<b>72,073,340</b>
<b>Training</b>		
LVNWSB	-	-
WSPs	-	918,025
<b>Total</b>	-	<b>918,025</b>
<b>TOTAL LOAN (WORKS+CONSULTANCY+GOODS+TRAINING)</b>	-	<b>161,212,253</b>

**8.7 Grants**

<b>GRANTS</b>	<b>2021</b>	<b>2020</b>
<b>WORKS</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Grant - Drought Mitigation</b>		
Drilling and capping of Drought Boreholes LVNWSB	-	-
Drilling and capping of Drought Boreholes LVSWB	-	-
Equipping of Drought Boreholes and Civil Works LVNWSB	-	12,168,347
Equipping of Drought Boreholes and Civil Works RVWSB	-	32,841,560
Equipping of Drought Boreholes and Civil Works LVSWB	-	12,736,489
Rehabilitation/Expansion of Water Supplies for LVNWSB - Kwanza Water Supply	-	22,599,496
Rehabilitation/Expansion of Water Supplies for RVWSB-Suswa Water Supply	-	11,864,644



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Rehabilitation/Expansion of Water Supplies for RVWSB-Kapenguria Water Supply	-	9,567,916
Rehabilitation/Expansion of Water Supplies for RVWSB-Kapindaram	-	30,878,996
Construction of plinths/ gutters for plastic water tanks 10,000lts for LVN, LVS AND RV WSBs	-	33,067,727
<b>Total</b>	-	<b>165,725,176</b>
<b>Consultancy</b>		
Carry out strategic drought mitigation studies/plan	-	-
Preparation of EIA & RAP for drought boreholes-LVNWSB	-	-
Design for civil works and supervision of drought boreholes-LVNWSB	-	5,749,800
Preparation of EIA & RAP for drought boreholes-RVWSB	-	3,000,000
Design for civil works and supervision of drought boreholes-RVWSB	-	6,870,000
Design for civil works and supervision of drought boreholes-LVSWBS	-	5,439,600
Design and Supervision for Kwanza Water Supply Project	-	4,689,600
Design Review and construction supervision for Suswa,Kapindaram and Kapenguria Water Supply Projects in RVWSB	-	4,836,995
TA for EISIA and RAP for Kwanza water supply	-	374,625
TA for EISIA and RAP for Suswa, Kapenguria and Kapindaram	-	384,750
Consultancy for individual survey of Asega Dam	-	945,680
Consultancy services valuation of assets	-	1,636,579
Baseline study for Non-Revenue water management for Kimilili-Mumias	-	12,463,158
<b>Total</b>	-	<b>46,390,787</b>
<b>Goods</b>		

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TOTAL GRANTS  
(WORKS+CONSULTANCY+GOODS+TRAINING) - 212,115,963

**8.8 Operating Costs**

**Operating Cost**

	2021	2020
	Kshs	Kshs
Fuel ,advertisements, staff travel, M&E and others	1,818,688	36,723,050

**8.9 CASH AND CASH EQUIVALENTS C/FWD**

	2021	2020
	Kshs	Kshs
Bank accounts (Note 12A)	39,690	1,671,070
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances (Note 12B)	-	-
	—	—
	39,690	1,671,070
	====	====

**8.10A Bank Accounts**

**Local Currency Accounts**

Standard Chartered Bank [A/c No 0102002530002]	<u>39,690</u>	<u>1,671,070</u>
<b>Total local currency balances</b>	<u>39,690</u>	<u>1,671,070</u>
<b>Total bank account balances</b>	39,690	1,671,070
	====	====

**8.10B Outstanding Imprests and Advances**

	2021	2020
	Kshs	Kshs
Imprest	-	-
	—	—
	====	====

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<b>8.11</b>	<b>Cash and cash equivalents b/fwd</b>	<b>2021</b>	<b>2020</b>
	Cash and bank balances b/fwd from previous period	1,671,070	417,718
<b>8.12</b>	<b>Surplus/Deficit for the year</b>		
	Difference between receipts and payments	(1,631,381)	1,253,352
<b>8.13</b>	<b>PENDING BILLS</b>		
		<b>2021</b>	<b>2020</b>
		<b>Kshs</b>	<b>Kshs</b>
	Pending bills at reporting date	=	=
		-	-
		=====	=====



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**8.14 STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT ACTIVITY**

The balances in the Project’s Special Deposit Account as at 30<sup>th</sup> June 2020 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Project Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

	2021 USD	2020 USD	USD CUMMULATIVE
OPENING BALANCE	0	3,436,782	32,204,214
<b>Add;</b>			
Total amount deposited by World Bank	-	-	-
Total interest earned if deposited in account	-	-	-
Amount refunded for ineligible expenditure	-	-	-
<b>TOTAL</b>	<b>0</b>	<b>3,436,782</b>	<b>32,204,214</b>
<b>Deduct;</b>			
<b>Total amount withdrawn:</b>			
Amount withdrawn:	-	3,436,782	32,204,214
Foreign exchange differences	-	-	-
Total service charge	-	-	-
<b>CLOSING BALANCE</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Special Deposit Account reconciliation statement has been attached as *Appendix* to support these closing balances.

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation )	Status: (Resolved /Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
Basis for Qualified Opinion  1.	<b>Unsupported Expenditure</b> As disclosed in Note 8.8 to the financial statement, the statement of receipts and payment reflects a balance of cash Kshs. 36,723,050 under operating costs. The balance includes an amount of cash Kshs. 1,492,500 spent on the identification of hand washing points in response to the Covid 19 Pandemic. However, the expenditure was incurred without provision in the approved budget for the financial year contrary to Regulations 43(b) and 44 (2) of the Public Finance Management (National Government) Regulations, 2015.	The covid-19 pandemic was an emergency that occurred during the financial year. Various circulars were issued from government regarding response to the Covid -19 pandemic .In compliance the agency had to undertake various activities, which included mapping of various locations within the projects that the agency was implementing for the purposes of seeking support from the Ministry and other partners. WaSSIP was one of the identified projects and		Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation )	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	Under the circumstances, the accuracy and validity of operating costs of Kshs. 1,671,070 as at 30 June, 2020 could not be confirmed.	interventions mapped out for support as captured in the attached report. The expenditures were financed under the project operating costs budget.			
2.	<b>Inaccuracy in cash and cash equivalents</b> The statement of financial assets and liabilities reflects a bank balance of Kshs. 1,671,070 under cash and cash equivalents. Included in the bank reconciliation statement for the month of June 2020, were unrepresented cheques of cash Kshs. 129,768,399. However, review of the payment vouchers revealed that four (4) payment vouchers totaling Kshs. 15,327,098 were issued in July 2020 and did not therefore qualified as unrepresented cheques as at 30 June, 2020.	The payments were done and entered in the cashbook in the month of June 2020, but the cashier erroneously stamped the documents in various dates in July 2020. The payments cleared in the month of July 2020.		Resolved	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation )	Status: (Resolved /Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	In the circumstances, it has not been possible to confirm the accuracy of cash and cash equivalents of Kshs. 1,671,070 as at 30 June, 2020.				

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

  
**Accounting Officer**

  
**Project Coordinator**



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**ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Variance e=d-c	% of Variance f=e/c %
<b>Receipts</b>						
Transfer from Government entities	-	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-	-
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Miscellaneous receipts	1,858,379	-	1,858,379	1,858,379	-	-
<b>Total Receipts</b>	<b>1,858,379</b>	<b>-</b>	<b>1,858,379</b>	<b>1,858,379</b>	<b>-</b>	<b>-</b>
<b>Payments</b>						
Goods, Works, Training and Services (a)(b)(d)	-	-	-	-	-	-
Goods, Works and Services (c)	-	-	-	-	-	-
Operating costs	1,858,379	-	1,858,379	1,818,688	39,690	2%
<b>Total Payments</b>	<b>1,858,379</b>	<b>-</b>	<b>1,858,379</b>	<b>1,818,688</b>	<b>39,690</b>	<b>2%</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,690</b>	<b>39,690</b>	<b>-</b>

The amount was budgeted for in the financial year 2019/2020 to support project closure activities

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**ANNEX 2 – ANALYSIS OF PENDING BILLS**

	Original Amount	Amount Paid/ Adjusted During the Year	Accrued During the year	Pending Bills
Suppliers				
Nil	Nil	Nil		
Sub total	-	-		

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**ANNEX 3 – SCHEDULE OF FIXED ASSETS**

Asset category	Original Amount	Addition during the year	Disposals during the year	Total Assets
Office furniture and Equipment	3,778,930	-	-	3,778,930
Computers and Accessories	9,392,464	-	-	9,392,464
Motor vehicles	215,736,415	-	-	215,736,415
<b>Total</b>	<b>228,907,809</b>	<b>-</b>	<b>-</b>	<b>228,907,809</b>