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Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

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REPORT

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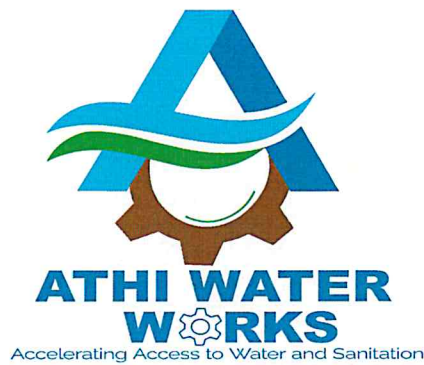
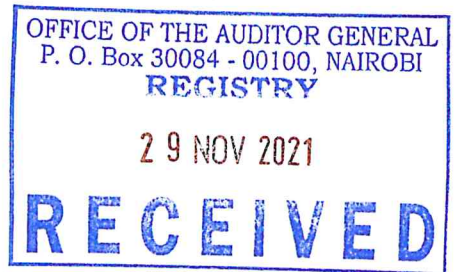
THE AUDITOR-GENERAL

ON

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

FOR THE YEAR ENDED
30 JUNE, 2021

ATHI WATER WORKS DEVELOPMENT
AGENCY



PROJECT NAME: NAIROBI WATER DISTRIBUTION NETWORK PROJECT

[FUNDED BY FEDERAL REPUBLIC OF GERMANY]

IMPLEMENTING ENTITY: ATHI WATER WORKS DEVELOPMENT AGENCY

PROJECT CREDIT NUMBER: BMZ NO 2020.82.527/KV 26833

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)**

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered Office

Name: The project's official name is Nairobi Water Distribution Network Project (Credit No: BMZ NO 2020.82.527/KV 26833).

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

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

The address of the registered office is:

Athi Water Works Development Agency
P.O. Box 45283-00100 GPO
Athi Water Plaza
Old Muthaiga 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 is 30 th December-2014
Original Project End Date	The project end date is 31 st December,2017
Revised Project End Date	The Revised project end date is 31 st December,2021
Project Manager:	The project manager is Eng. Joseph Kamau
Project Sponsor:	The project sponsors are the Government of Kenya (GoK), which contribute 15% and taxes, Co-financed by the Federal Republic of Germany and the European Union (EU) through KfW Development Bank Which Contribute 85%.

1.3 Project Overview

Line Ministry/State Department of the Project	The project is under the supervision of the Ministry of Water, Sanitation & Irrigation
Project number	BMZ NO 2020.82.527/KV 26833
Strategic goal of the project	The strategic goal of the project is to improve equitable water supply in areas of Nairobi which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction
Achievement of strategic goal	<p>The project management aims to achieve the goal through the following means: The main works components under this component include: -</p> <p>i) Lot 1: Construction of the Eastern Transmission (Kiambu – Embakasi) Pipeline.</p> <ul style="list-style-type: none"> i) Water Transmission Pipeline, size DN1000/900 mm Pipeline, total length 24km ii) Reinforced Concrete Water Storage Tank at Embakasi, capacity 14,000m³. iii) Construction of the Resident Engineer’s Office (floor area 220m²) <p>ii) Lot 2: Construction of the Western Transmission (Kabete – Uthiru – Karen) Pipeline.</p> <ul style="list-style-type: none"> i. Construction of Water Transmission Pipeline from Kabete to Uthiru to Karen. Ferrous pipeline of sizes 500mm and 900mm diameter, approximate total length 12.6Km comprising of the following sections: <ul style="list-style-type: none"> i) Kabete to Uthiru Pipeline <ul style="list-style-type: none"> • DN 900mm Ferrous Pipeline, length 5.8 Km ii) Uthiru to Karen Pipeline <ul style="list-style-type: none"> • DN 900mm Ferrous Pipeline, length 5.2 Km • DN 500mm Ferrous Pipeline, length 3.15 Km ii. Construction of Reinforced Concrete Water Storage Tank at existing Uthiru Reservoir Site, Capacity 5000m³. iii. Electromechanical works and associated civil works at Kabete Pumping Station to upgrade the capacity of the Kabete-Uthiru Pumping System from 30,000m³/d to 72,000m³/d. iv. Construction of the Resident Engineer’s Office (floor area 220m²). v. Reinforced Concrete Water Storage Tank (capacity 500m³) and Pumping Facility at Kenya High School <p>iii) Lot 3: Extension of Water & Sewerage Services in Peri-Urban &</p>

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	<p>Informal Settlements.</p> <ul style="list-style-type: none"> i. Extension of Water Pipelines (size 32–250mm total length 23km) and Sewers (size 200-315mm total length 21km) in Korogocho, Gitari Marigu, Ngando, Kawangware and Kangemi Areas of Nairobi ii. Construction of 2Nr Ablution Blocks in Gitari Marigu iii. 928Nr Consumer Sewer Connections
Other important background information of the project	N/A
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Equitable water supply (ii) Poverty eradication
Project duration	The project started on 30 th December 2014 and is expected to run until 31 st December, 2021

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 Kiambu road

1.5 Auditors

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

1.6 Roles and Responsivities

Names	Title designation	Key qualification	Responsibilities
Eng 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
Rahab Kingori	Project Engineer	B.Sc,MIEK,	Coordination of the day-to-day activities for lot 3
Eng. Dickson Ongesa	Project Engineer	B.Sc. MIEK, P.Eng.	Coordination of the day-to-day activities for lot 1
Eng. Kiprono Rop	Project Engineer	B.Sc., M.A, MIEK, P.Eng.	Coordination of the day-to-day activities of Lot 2
Anne Gacheri	Procurement officer	B.B.A, MA, CIPS	Management of the Procurement functions of the program
John Njoroge	Project Accountant	B.A., MBA, CPA-K	Management of the Finance functions of the program

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1.7 Funding summary

The Project is for duration of seven years from December 2014 to 2021 with an approved budget of (Unit of Account) Euro 40,439,440 equivalent to about KShs 4,545,970,899 as highlighted in the table below:

A. SOURCES OF FUNDS

FUNDING SUMMARY						
Source of funds	Donor Commitment-		Amount received to date – (30-06-2021)		Undrawn balance to date (30-06-2021)	
	Donor currency (Euro)	Kshs (A')	Donor currency (Euro) (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
(i) Grant						
Eu Managed by KfW	5,000,000	566,121,833	3,666,296	414,616,501	1,333,704	151,505,332
(ii) Loan						
KfW	25,000,000	2,807,500,000	20,616,059	2,379,303,538	4,383,941	428,196,462
iii) Counterpart funds						
G.O. K	10,439,440	1,172,349,066	9,727,062	1,092,349,066	712,378	80,000,000
Total Funding Summary	40,439,440	4,545,970,899	34,009,417	3,886,269,105	6,430,023	659,701,794

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FUNDING SUMMARY						
Application of funds	Amount received to date-(30th June-2021)		Cumulative Amount paid to date – (30-06-2021)		Unutilised balance to date (30-06-2021)	
	Donor currency (Euro)	Kshs	Donor currency(Euro)	Kshs	Donor currency (Euro)	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
Eu Managed by KfW	3,666,296	414,616,501	3,666,296	414,616,501	-	-
(ii) Loan						
KfW	20,616,059	2,379,303,538	20,616,059	2,379,303,538	-	-
(iii) Counterpart funds						
G.O.K	10,333,333	1,092,349,066	9,060,628	1,017,508,474	1,272,705	74,840,592
Total Funding Summary	34,615,688	3,886,269,105	33,342,983	3,811,428,513	1,272,705	74,840,592

1.8 Summary of the overall project performance

During the year under review, the Project received Kshs 1,056,564,972 and incurred expenditure totalling to Kshs 994,906,163

Cumulatively as at 30th June 2021, the project had received Kshs 3,886,269,105 and incurred expenditure totalling to Kshs 3,811,428,512.

Works

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

i) Lot 1- Construction of the Eastern Transmission (Kiambu – Embakasi) Pipeline.

a) Resident Engineer's Office

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

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

b) Supply of Pipes and Fittings

Status of Manufacture and Delivery of Pipes is as follows:

Pipe		DN 1000 PN32	DN 1000 PN25	DN 900 PN25	Total
1	Quantity Manufactured (m)	3,852	14,760	5,340	23,952
2	Quantity Delivered to Site (m)	3,852	14,760	5,340	23,952

- *Progress of Works on Supply of Pipes and Fittings: 100 %*

c) Pipeline Construction

As at 30th June 2021, the total length of Pipeline laid is **23,912m**, against a target of **24,000m**,
the pipes laid comprising of:

- **14,740m** of DN 1000 PN 25 pipes
- **3,840m** of DN 1000 PN 32 pipes
- **5,332m** of DN 900 PN 25 Pipes

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

- *Progress of Works on Pipeline Construction: 99 %*

d) Reinforced Concrete Water Storage Tank at Embakasi (capacity 14,000m³).

Construction of the 14,000m³ capacity Embakasi Tank is complete. Water Tightness Testing has also been carried out. The pending / ongoing works include the installation of Ladders and Level Measuring Gauges.

- ***Progress of Works on Embakasi Tank: 99 %***

e) Masonry Boundary Wall at Embakasi Garrison

As per agreement between AWWDA and Ministry of Defence (MoD) for allocation of Land and Wayleave for construction of the 14,000m³ Embakasi Tank at the Embakasi Garrison, a **1.8 km** long Masonry Wall forming part of the Garrison Boundary is to be constructed.

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

As at 30th June 2021, the 1.8km masonry wall had been completed.

f) Overall Contract Progress

As at **30th June 2021**:

- Overall Progress:
 - Physical Works: approximately **98 %** of the Overall Scope of Works
 - Pipes and Fittings delivered to Site: **100 %** of total quantities.

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

a) Construction of Resident Engineer's Office

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

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

b) Supply of Pipes and Fittings

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

DN 900mm Pipes – – the total requirement of 11.45km of DN 900 Steel Pipes and Fittings have been delivered to site

Progress on Supply of Pipes and Fittings: 100 %.

c) Pipeline Construction

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

Pipe laying works on the entire 8.5 km is complete, including 3.25km DN 500mm section and 5.5km DN 900mm section. Reinstatement of the 150m section of the DN 500mm pipeline damaged by the Road Works Contractor carrying out road expansion works was completed by 14th April 2021.

Installation of Washout and offtake Valves and Fittings and final reinstatement works is in progress.

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

Pipe laying works on the entire 5.8 km is complete. Final reinstatement works is in progress.

Progress of Pipeline Construction Works: 99 %

d) Reinforced Concrete Water Storage Tank at Uthiru (Capacity 5000m³)

Structural Concrete Works and Water Tightness Testing for the Tank are complete. Installation of Pipes and Fittings within the Tank Site, including inter-connection Pipework to the existing Tank and painting works for exposed Pipe Fittings and metal work is in progress, currently at 99% completion. Outstanding Works include:

- Decommissioning of the existing inlet pipework and completion of installation works for new outlet system, including conversion of the existing inlet rising main to a gravity main.
- Installation of PVC gauze on Vent Pipes.
- Cleaning and Disinfection of the new 5,000m³ Tank

Progress of works on construction of the 5,000m³ Tank: 99%.

e) Kabete Pumping Station Works

• Civil Works

Construction of the Compressor Room Extension, Concrete Works on Transformer Plinth, widening and extension of existing cable channel to receive new Pump Control Panel and Casting of 2Nr. R.C. Pump Plinth and 1Nr. Compressor Plinth is complete.

Installation of Window Louvre Blades and Glazing, painting of the windows, Floor Screeding and application Terrazzo Finish on the extension building are complete.

Painting works on internal and external wall faces for the building commenced on 28th May 2021 and was completed by 20th June 2021. Installation of rainwater drainage gutters for the building and fencing of the Transformer area is pending.

- **Electromechanical Works**

Most of the Electromechanical Equipment to be installed, including Pumps, Motors and Control Valves were shipped in February 2020 and stored at the Premises of the Electro-Mechanical Works Sub-Contractor (Jos Hansen EA Ltd.) in Ruaraka, Nairobi. They were transferred to the Kabete Pumping Station by 5th June 2021, where they are currently under Installation.

Progress of Physical works on Kabete Pumping Station: 66 %.

f) Construction of 500m³ ground Water Storage Tank, 80m³ Elevated concrete Tank Pumping Facility and at Kenya High School

The Kenya High School Works were substantially completed and handed over to AWWDA on 12th January 2021. AWWDA subsequently handed over the system to the school during the Handing over meeting. The system is currently serving the school and has been confirmed to be operating at Design Capacities.

The completed works at Kenya High School are as follows:

- i) 500m³ Reinforced Concrete Tank
- ii) Pump Chamber
- iii) 80m³ Reinforced Concrete Tank on 14m high Concrete Tower
- iv) Pipelines (DN 110mm HDPE Pipelines, total length 0.7km)

The works are currently under Defects Notification Period up to 11th January 2022.

Progress of Kenya High School Works: 100%

g) Overall Contract Progress:

As at 30th June 2021:

- Overall Progress:
 - Physical Works: approximately 93.5% of the Scope of Works
 - Production and Delivery of Pipes and Fittings: 100% of total quantities

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

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

Status of Consumer Connection Works as at 30th June 2021

Works under the Lot 3(A) - Extension of Water & Sewerage Services in Peri Urban & Informal Settlements Contract are **Substantially Complete**.

Taking Over of the Substantially Completed Works was carried separately for the Eastern Areas and Western Areas and Defects Notification Periods are as follows:

- i) Eastern Areas
 - Taking-Over Certificate dated 5th June 2020.

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(Korogocho and Gitari Marigo) Defects Notification Period up to **5th June 2021**.

- ii) Western Areas (Ngando, Kawangware and Kangemi) - Taking-Over Certificate dated **21st August 2020**. Defects Notification Period up to **21st August 2021**.

The Defects Notification Period for **Eastern Areas Works (Korogocho and Gitari Marigo)** lapsed on **5th June 2021**. The Contractor is currently carrying out some identified Rectification Works prior to Final Inspection of the Works and issuance of a Performance Certificate

iv) **Lot 3(b): Supply and Delivery of Consumer Water Meters**

The Lot 3(B) project component comprises of Supply and Delivery of Consumer Water Meters, 15mm dia. and related accessories to the Nairobi City Water and Sewerage Company Ltd. (NCWSC). The goods to be supplied are as shown in **Table 5.1** below.

Table 5.1: Schedule of Goods to be Supplied under Lot 3(B)

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

The Contract for the Lot 3(B) Project Component was signed between the Supplier, **Hydro standard Kenya Limited** and AWWDA on **11th February 2021**. The Contract Amount is **Kshs 40,623,200.00** inclusive of VAT.

The Supplier's Advance Payment Application for 20% of the Contract value (**Kshs 8,124,640**) was submitted to AWWDA on **7th May 2021**. The Gok Component was paid before the 30th of June 2021, The KfW component was submitted to the bank before 30th June 2021

After receipt of Advance Payment by the Supplier, delivery of the goods is expected within 135 Days as per the Delivery Schedule negotiated with the Supplier.

Consultancies

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

1.9 Summary of the Project compliance:

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

2. STATEMENT OF PERFORMANCE AGAINST PROJECT PREDETRMINED OBJECTIVES

Introduction

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

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

Progress on attainment of Strategic development objectives

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

Project	Objective	Outcome	Indicator	Performance
Construction of the Eastern Transmission (Kiambu-Embakasi) Pipeline	Improve equitable water supply in the Eastern part of Nairobi which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction	<ul style="list-style-type: none"> Water Transmission Pipeline, size DN1000 / 900 mm, length 24km Reinforced Concrete Water Storage Tank, capacity 14,000m³ Construction of Resident Engineer's Office (floor area 220m²) 	% Increase in water coverage in Nairobi.	Water pipeline works at 99%. Water tank works at 100% RE office works at 100%.
Construction of the Western Transmission (Kabete –	Improve equitable water supply in the Western part of	<ul style="list-style-type: none"> Water Pipeline, size DN900 and DN500 mm, 	% Increase in water coverage in Nairobi.	Water pipeline works at 99%. Water tank

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Uthiru – Karen) Pipeline.	Nairobi which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction	<ul style="list-style-type: none"> total length 14.25 km Reinforced Concrete Water Storage Tank, capacity 5,000m³ Upgrading of Kabete – Uthiru Pumping System from 30,000m³/day to 72,000m³/day capacity Construction of Resident Engineer's Office (floor area 220m²) 		<p>works at 100%</p> <p>RE office at 100%.</p> <p>Pumping station works at 66%</p>
Extension of Water & Sewerage Services in Peri-Urban & Informal Settlements	Improve equitable water supply and Sewerage Services in the Peri-Urban and Informal Settlement which are currently under supplied in order to promote sustainable socio-economic development and contribute to overall poverty reduction	<ul style="list-style-type: none"> Extension of Water Pipelines (size 32–250mm total length 23km) and Sewers (size 200-315mm total length 21km) Construction of 2Nr Ablution Blocks 928Nr Consumer Sewer Connections 	% Increase in water & sewerage coverage in Nairobi.	<p>Water pipe line and sewerage works at 100%.</p> <p>Ablution block works at 100%.</p> <p>Consumer sewer connection works at 99%.</p>

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;

- a. Undertake the development, maintenance and management of National Public Waterworks,
- b. 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,
- c. 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,
- d. Provide technical services and capacity building to such county government and water providers,
- e. Provide to the cabinet secretary technical support in discharging of his or her functions under the Water Act 2016.

i) 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.

ii) 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.

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

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

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

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

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

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

Table 1: Environmental and Social Safeguards

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.
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	

iii) 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.

iv) Market place practices-

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

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

All engagements between AWWDA and suppliers and/or contractors take the form of purchase orders and contracts which are signed by both parties and they clearly enumerate responsibilities and obligations of either party. The payment schedules also form part of the contracts and they are strictly adhered to during the contract period.

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

v) 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 Nairobi Water Distribution Network Program are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial period ended on June 30, 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.

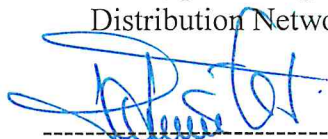
The *Chief Executive Officer* AWWDA and the Project Coordinator for Nairobi Water Distribution Network Program accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with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

The *Chief Executive Officer* AWWDA and the Project Coordinator for Nairobi Water Distribution Network Program are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial period ended June 30, 2021, and of the Project's financial position as at that date. The Chief Executive Officer AWWDA and the Project Coordinator for Nairobi Water Distribution Network Program further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

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


Approval of the Project financial statements

The Project financial statements were approved by the *Chief Executive Officer* Athi Water Works Development Agency and the Project Coordinator for Project Coordinator for Nairobi Water Distribution Network Program on 28th September, 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 & Accounts
CPA, Dr. Christine Mawia Julius
ICPA No: 6458

Date: 28/09/2021

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI WATER DISTRIBUTION NETWORK PROJECT (KfWDB CREDIT BMZ NO. 2020.82.527/KV26833) 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 Nairobi Water Distribution Network Project set out on pages 1 to 22, which comprise the statement of financial

Report of the Auditor-General on Nairobi Water Distribution Network Project (Credit BMZ No. 2020.82.527/KV26833) for the year ended 30 June, 2021

assets as at 30 June, 2021, and the 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 Nairobi Water Distribution Network 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 Loan Agreement MBZ No. 2020.82.527/KV26833 dated 26 June, 2014 between KfW Development Bank and the Republic of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters 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

Budgetary Control and Performance

The statement of comparative budget and actual amounts for the year ended 30 June, 2021 reflects budgeted expenditure of Kshs.1,066,743,115 against actual expenditure of Kshs.994,906,163 resulting to an under expenditure of Kshs.71,836,952 or 7% of the budget allocation. However, Management has not given satisfactory explanation for the underperformance which impacted negatively on the Project Implementation.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance 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 governance were not effective.

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the provisions of the Loan Agreement BMZ No.2020.82.527/KV26833 dated 26 June, 2014 between KfW Development Bank and the Republic of Kenya, I report based on my audit, that:

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

- iii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

Project 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, Project 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 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 Project's 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 Project Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


06 December, 2021

Report and Financial Statements

For the Financial year ended June 30, 2021

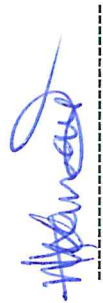
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021

DESCRIPTION	NOTES	2020/2021			2019/2020 RE-STATED			2019/2020 CERTIFIED BALANCES	CUMULATIVE TO DATE
		Receipts & Payment controlled by the entity	Receipts & Payment controlled by the third party	TOTAL	Receipts & Payment controlled by the entity	Receipts & Payment controlled by the third party	TOTAL		
RECEIPTS		KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Transfer from Government entities	11.1	466,743,115		466,743,115	265,000,000	-	265,000,000	265,000,000	1,092,349,066
Proceeds from domestic and foreign grants	11.2		78,983,840	78,983,840		87,003,294	87,003,294	-	414,616,501
Loan from external development partners	11.3		510,838,017	510,838,017		457,543,790	457,543,790	544,547,084	2,379,303,538
TOTAL RECEIPTS		466,743,115	589,821,857	1,056,564,972	265,000,000	544,547,084	809,547,084	809,547,084	3,886,269,105
PAYMENT									-
Compensation of Paps	11.5	6,882,375		6,882,375	17,601,629		17,601,629	17,601,629	78,574,618
Purchase of Goods & Services	11.6	350,379		350,379	1,366,173		1,366,173	1,366,173	1,716,552
Acquisition of non-financial assets	11.8	397,851,552	589,821,857	987,673,409	244,895,587	544,547,084	789,442,671	789,442,671	3,731,137,342
TOTAL PAYMENTS		405,084,306	589,821,857	994,906,163	263,863,389	544,547,084	808,410,473	808,410,473	3,811,428,512
Surplus/Deficit		61,658,809	-	61,658,809	1,136,611	-	1,136,611	1,136,611	74,840,592



Chief Executive Officer
Eng. Michael M. Thuita

Date: 28/09/2021



Project Coordinator
Eng. Joseph Kamau

Date: 28/09/2021



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

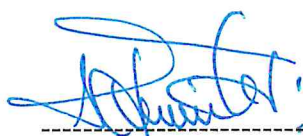
Date: 28/09/2021

Nairobi Water Distribution Network Project (Credit No: BMZ NO 2020.82.527/KV 26833)
 Report and Financial Statements
 For the Financial year ended June 30, 2021

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

		2020/2021	2019/2020
FINANCIAL ASSETS	Note	KSH	KSH
Cash and Cash equivalents			
Bank balances	11.11A	74,840,592	13,181,783
Cash balances	11.11B	-	-
Cash equivalents	11.11C	-	-
Total Cash and Cash Equivalents		74,840,592	13,181,783
Accounts Receivables	11.12	-	-
TOTAL FINANCIAL ASSETS		74,840,592	13,181,783
Payables-Deposits and Retentions	11.13	-	-
NET ASSETS		74,840,592	13,181,783
REPRESENTED BY:			
Fund balance Brought Forward	11.14	13,181,783	12,045,172
Prior year adjustments	11.15	-	-
Surplus/Deficit for the year		61,658,809	1,136,611
NET FINANCIAL POSITION		74,840,592	13,181,783

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 & Accounts
 CPA, Dr. Christine Mawia Julius
 ICPAK No: 6458

Date: 28/09/2021

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

			RE-STATED	CERTIFIED BALANCES
Receipts for operating income	Notes	2020/2021	2019/2020	2019/2020
Transfer from Government Entities	11.1	466,743,115	265,000,000	265,000,000
Proceeds from domestic and foreign grants	11.2	78,983,840	87,003,294	0
Miscellaneous receipts	11.4	-	-	0
		545,726,955	352,003,294	265,000,000
Payments for operating expenses				
Compensation of PAPs	11.5	-6,882,375	-17,601,629	-17,601,629
Purchase of goods and Services	11.6	-350,379	-1,366,173	-1,366,173
Social Security Benefit	11.7	0	0	0
Transfer to government entities	11.9	0	0	0
Other grants and transfers	11.10	0	0	0
Net cash flow from operating activities		538,494,201	333,035,492	246,032,198
CASHFLOW FROM INVESTING ACTIVITIES				
Acquisition of Assets	11.8	-987,673,409	-789,442,671	-789,442,671
Net cash flows from Investing Activities		-987,673,409	-789,442,671	-789,442,671
CASHFLOW FROM BORROWING ACTIVITIES				
Proceeds from Foreign Borrowings	11.3	510,838,017	457,543,790	544,547,084
Net cash flow from financing activities		510,838,017	457,543,790	544,547,084
NET INCREASE IN CASH AND CASH EQUIVALENT		61,658,809	1,136,611	1,136,611
Cash and cash equivalent at BEGINNING of the year	11.4	13,181,783	12,045,172	12,045,172
Cash and cash equivalent at END of the year		74,840,592	13,181,783	13,181,783

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 & Accounts
CPA, Dr. Christine Mawia Julius
ICPAK No: 6458

Date: 28/09/2021


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						
Loan from external development partners	520,000,000	0	520,000,000	510,838,017	9,161,983	98%
Proceeds from domestic and foreign grants	80,000,000		80,000,000	78,983,840	1,016,160	99%
Transfers from Government entities	80,000,000	386,743,115	466,743,115	466,743,115	0	100%
Total Receipts	680,000,000	386,743,115	1,066,743,115	1,056,564,972	10,178,143	99%
Payments						
Acquisition of non-financial assets	672,640,000	386,743,115	1,059,383,115	987,673,408	71,709,707	93%
Purchases of Goods & Services	360,000	0	360,000	350,379	9,621	97%
Compensation of Paps	7,000,000	0	7,000,000	6,882,375	117,625	98%
Total Payments	680,000,000	386,743,115	1,066,743,115	994,906,162	71,836,953	93%

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


Chief Executive Officer
Eng. Michael M. Thuita

Date: 28/09/2021


Project Coordinator
Eng. Joseph Kamau

Date: 28/09/2021



Manager Finance & Accounts
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 Nairobi Water Distribution Network Project under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012.

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.

i) Transfers from the Exchequer

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

ii) External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) 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.

i) Compensation of employees

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

ii) Use of goods and services

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

iii) 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)

iv) 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. 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 589,821,857** 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.

11. NOTES TO THE FINANCIAL STATEMENTS

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	Kshs
<i>Counterpart funding through Ministry of Water & Sanitation</i>			
Counterpart funding Quarter 1	20,000,000	20,000,000	68,000,000
Counterpart funding Quarter 2		20,000,000	48,000,000
Counterpart funding Quarter 3		225,000,000	253,000,000
Counterpart funding Quarter 4	446,743,115		723,349,066
Appropriations-in-Aid			-
Total	466,743,115	265,000,000.00	1,092,349,066

11.2 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 30 June 2021, AWWDA received funding from development partners in form of grant negotiated by the National Treasury as detailed in the table below.

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	Total amount in Kshs		
							FY 2020/2021	FY 2019/2020 RE-STATED	FY 2019/2020 CERTIFIED BALANCE
		Euro	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	
Grants Received from Bilateral Donors (Foreign Governments)									
N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Grants Received from Multilateral Donors (International Organizations)									
KfW-EU	2015/2016	0		0					
KfW-EU	2016/2017	483,304		54,721,736		54,721,736			
KfW-EU	2017/2018	610,357		69,107,281		69,107,281			
KfW-EU	2018/2019	1,102,239		124,800,350		124,800,350			
KfW-EU	2019/2020	768,415		87,003,294		87,003,294		87,003,294	-
KfW-EU	2020/2021	701,981		78,983,840		78,983,840	78,983,840		
Grants Received from Local Individuals and organizations									
N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Total	-	3,666,296	-	414,616,501	-	414,616,501	78,983,840	87,003,294	-

11.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

During the 12 months to 30 June 2021, AWWDA received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in Kshs		
					FY 2020/2021	FY 2019/2020 RE-STATE	FY 2019/2020 CERTIFIED BALANCES
			Kshs	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 Organisations)							
KFW	2015/2016	309,840		34,795,032			
KFW	2016/2017	2,207,395		291,139,428			
KFW	2017/2018	3,717,075		414,831,990			
KFW	2018/2019	5,833,997		670,155,281			
KFW	2019/2020	4,148,898		457,543,790		457,543,790	544,547,084
KFW	2020/2021	4,398,854		510,838,017	510,838,017		
Total		20,616,059	-	2,379,303,538	510,838,017	457,543,790	544,547,084

11.4 MISCELLANEOUS RECEIPTS

There were no miscellaneous receipts during the year

11.5 COMPENSATION OF PAPS

This relates to the payment of Crops and wayleaves for Paps

SCOPE OF WORKS	2020/2021			2019/2020	CUMULATIVE TO DATE
	Payment controlled by the entity in cash	Payment controlled by the third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Crops & Way leave Compensation	6,882,375	-	6,882,375	17,601,629	78,574,618
TOTAL	6,882,375	-	6,882,375	17,601,629	78,574,618

11.6 PURCHASE OF GOODS AND SERVICES

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

SCOPE OF WORKS	2020/2021			2019/2020	CUMULATIVE TO DATE
	Payment controlled by the entity in cash	Payment controlled by the third party	Total payment		
	Kshs	Kshs	Kshs	Kshs	Kshs
Advertising	350,379		350,379	1,366,173	1,716,552
TOTAL	350,379		350,379	1,366,173	1,716,552

11.7 SOCIAL SECURITY BENEFITS

The project didn't have payments 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	2019/2020 RESTATED CUMULATIVE	2019/2020 CERTIFIED CUMULATIVE
	Payment controlled by the entity in cash	Payment controlled by the third party	Total payment				
	KSH	KSH	KSH				
Construction for Lot 1 Eastern Transmission (Kiambu-Embakasi) Pipeline	177,723,988	222,629,104	400,353,092	329,852,492	1,821,973,469	1,421,620,377	1,396,181,788
Construction for Lot 2 - Western Transmission (Kabete-Uthiru-Karen) Pipeline	180,770,741	212,835,832	393,606,573	370,905,919	1,169,789,662	776,183,089	750,259,920
Construction for Lot 3 - Extension of Water and Sewerage Services to Peri-Urban and Informal Settlements	29,812,143	32,484,702	62,296,845	64,004,476	402,061,004	339,764,159	323,880,836
The consultant for the work supervision	7,373,440	115,918,819	123,292,259	24,679,783	329,188,567	205,896,308	200,154,108
Supply of consumer Water Meters	2,171,240	5,953,400	8,124,640		8,124,640		-
TOTAL	397,851,552	589,821,857	987,673,409	789,442,671	3,731,137,342	2,743,463,933	2,670,476,652

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11.9 TRANSFERS TO OTHER GOVERNMENT ENTITIES

During the 12 months to 30th June 2021, we did not have any transfers to other government entities.

11.10 OTHER GRANTS AND TRANSFER AND PAYMENTS

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

11.11 CASH AND CASH EQUIVALENTS C/FWD

DESCRIPTION	2020/2021	2019/2020
	KSH	KSH
Bank accounts	74,840,592	13,181,783
Cash in Hand		
Cash equivalents (short term deposits)		
Total	74,840,592	13,181,783

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
<u>Foreign Currency Accounts</u>		
N/A	0	0
Total Foreign Currency balances	<u>0</u>	<u>0</u>
<u>Local Currency Accounts</u>		
Co-operative Bank of Kenya (A/c No 01141084618501)	74,840,592	13,181,783
Total local currency balances	74,840,592	13,181,783
Total bank account balances	74,840,592	13,181,783

11.11 B. Cash in hand

The project did not have any cash in hand

11.11 C. Cash equivalents (short term deposits)

The project didn't have any short-term deposits

11.12 ACCOUNTS RECEIVABLES

No imprest and Advances were paid under the project

11.13 ACCOUNTS PAYABLES

No Retention and Deposits were paid under the project

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11.14 FUND BALANCE BROUGHT FORWARD

	2019/2020	2018/2019
	Kshs	Kshs
Bank accounts	13,181,783	12,045,172
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Total	13,181,783	12,045,172

11.15 PRIOR YEAR ADJUSTMENT

	2020/2021	Certified Cumulative receipt to date FY 2019/2020	Adjustments	Adjusted Cumulative Receipt to date FY 2019/2020
Description of the error	Kshs	Kshs	Kshs	Kshs
Grant from external development partners	0	0	335,632,661	335,632,661
Loan from external development partners	0	2,204,098,182	-335,632,661	1,868,465,521
Total	0	2,204,098,182	0	2,204,098,182

The adjustments were as a result of error noted in prior year

11.16 CHANGES IN RECEIVABLES

There were no Changes in Receivables under the project

11.17 CHANGES IN PAYABLES

There were no Changes in Payables under the project

12. OTHER IMPORTANT DISCLOSURES

12.1 PENDING ACCOUNTS PAYABLES

	Balance b/f FY 2019/2020	Additions for the period	Paid during the year	Balance c/f FY 2020/2021
DESCRIPTION	Kshs	Kshs	Kshs	Kshs
Construction of civil works	15,352,126	1,188,164,558	856,256,509	347,260,175
TOTAL	15,352,126	1,188,164,558	856,256,509	347,260,175

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Other matters- Pending Bills	Note 10.1 to the financial statement reflects pending bills of Kshs. 15,352,126 as at 30th June 2020. Management has not provided reason for non-payment of the bills which exposes the project to risk of incurring significant interest cost and penalties owing to continued delay in making payments	The IPC was certified as payable on 18 th June 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 Budget but later paid on 4 th September 2020.	Resolved	Resolved



Chief Executive Officer
 Eng. Michael M. Thuita

Date: 28/09/2021



Project Coordinator
 Eng. Joseph Kamau

Date: 28/09/2021



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

ANNEXES

ANNEX 1 VARIANCE EXPLANATIONS –COMPARATIVE BUDGET AND ACTUALS

Receipts/Payments Item	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization difference e=c-d	% of Utilization f=d/c %	Comments on Variance
Receipts					
Loan from external development partners	520,000,000	510,838,017	9,161,983	98%	Within Budget
Proceeds from domestic and foreign grants	80,000,000	78,983,840	1,016,160	99%	Within Budget
Transfers from Government entities	466,743,115	466,743,115	0	100%	Within Budget
Total Receipts	1,066,743,115	1,056,564,972	10,178,143	99%	
Payments					
Acquisition of non-financial assets	1,059,383,115	987,673,408	71,709,707	93%	Within Budget
Purchase of Goods & Services	360,000	350,379	9,621	97%	Within Budget
Compensation of Paps	7,000,000	6,882,375	117,625	98%	Within Budget
Total Payments	1,066,743,115	994,906,162	71,836,953	93%	

Explain all variance below 90% and above 100 %

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ANNEX 2: RECONCILIATION OF INTER-ENTITY TRANSFERS

PROJECT NAME:				
Break down of Transfers from the State Department of Water				
Government Counterpart				
a.	Funding			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Quarter 1	17/9/2021	20,000,000	FY2020/2021
	Quarter 2,3&4	30/6/2021	446,743,115	FY2020/2021
		Total	466,743,115	
b.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</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 (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	N/A		0	
			0	
		Total	0	
		TOTAL(a+b+c)	466,743,115	

ANNEX 3 - ANALYSIS OF PENDING BILLS

ANNEX 3A-ANALYSIS OF PENDING BILLS						
Supplier of Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 30th June 2021	Outstanding Balance 30th June, 2020	Comments
Construction of Civil Works	a	b	c	d=a-c		
1. CES Consulting Engineers Salzgitter GMBH in association with Mangat, I.B Patel JV	329,188,567	2015	329,188,567	0	0	The original amounts reflect the actual certified amounts
2.Zhongmei Engineering Group-Lot 1	2,039,237,319	2016	1,821,973,469	217,263,850	0	The original amounts reflect the actual certified amounts
3.Zhongmei Engineering Group-Lot 2	1,281,637,047	2017	1,169,789,662	111,847,385	0	The original amounts reflect the actual certified amounts
4.Nanchang Foreign Eng Co. Ltd-Lot 3A	420,209,944	2017	402,061,004	18,148,940	15,352,126	The original amounts reflect the actual certified amounts
5.Hydro standard Kenya Ltd-Lot 3B	8,124,640	2021	8,124,640			The original amounts reflect the actual certified amounts
Total	4,078,397,517		3,731,137,342	347,260,175	15,352,126	

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ANNEX 4- SUMMARY OF FIXED ASSET REGISTER

FIXED ASSET REGISTER					
Asset Class	Opening Cost (Kshs)2019/20	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-⊖+(-)d
Work in Progress	2,173,479,474	1,334,933,584	0	0	3,508,413,058