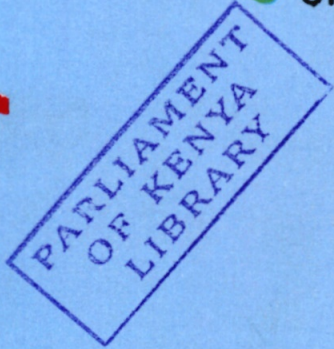


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

THE AUDITOR-GENERAL

ON

**IMPROVEMENT OF DRINKING WATER AND
SANITATION SYSTEMS IN MOMBASA:
MWACHE PROJECT (CREDIT NO. AFD LOAN
NO.CKE 1103 01 C)**

**FOR THE YEAR ENDED
30 JUNE, 2024**

**COAST WATER WORKS DEVELOPMENT
AGENCY**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 DEC 2024

DAY:
Thursday

Hon. Kimani Ichungu
(Leader of the Majority Party)

Anastacia





OFFICE OF THE AUDITOR GENERAL
P.O.Box 95202 MOMBASA

11 OCT 2024

RECEIVED
MOMBASA REGIONAL OFFICE

**PROJECT NAME: IMPROVEMENT OF DRINKING WATER AND SANITATION
SYSTEMS IN MOMBASA: MWACHE PROJECT**

**IMPLEMENTING ENTITY: COAST WATER WORKS DEVELOPMENT AGENCY
(CWWDA)**

PROJECT CREDIT NUMBER: CKE 1103

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Table Contents	Page
1. Acronyms and Definition of Terms	ii
2. Project Information and Overall Performance	iii
3. Statement of Performance against Project's Predetermined Objectives	xii
4. Environmental and Sustainability Reporting	xv
5. Statement of Project Management Responsibilities	xviii
6. Report of the Independent Auditor on Financial Statements for (the Project).....	xx
7. Statement of Receipts and Payments for the Year Ended 30th June 2024	1
8. Statement of Financial Assets and Liabilities as at 30 th June 2024	2
9. Statement of Cash flows for the year ended 30 th June 2024	3
10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 24	4
11. Significant Accounting Policies	5
12. Notes to the Financial Statements	12
13. Annexes.....	29

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
AFD	Agence Francaise De' developpement
CWWDA	Coast Water Works Development Agency
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is '*Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project CKE 1103*'

Objective

The key objective of the project is to improve living conditions for the populations of Mombasa Region by developing access to drinking water and sanitation.

The project specific's objectives are to:

- a) Increase the volumes of drinking water produced in order to eliminate the water shortage in the City of Mombasa.
- b) Reinforce and extend the drinking water distribution network and collective sanitation system in Mombasa.
- c) Build the capacities of the operator in order to gear up for commissioning of the new system and improve the technical and administrative management of the service.

Address

The project registered office is the headquarters of CWWDA in Mombasa County, Kenya and as follows:

Coast Water Works Development Agency
Mikindani Street, Off Nkrumah Road,
P.O. Box 90417-80100

Mombasa.

Telephone: (254) 041 2315230

E-mail: info@cwvda.go.ke

Website: www.cwvda.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date was 21st June 2018
Project Initial End Date:	The project initial end date was 1st March 2024
First Revised End Date:	The Revised end date is 1st March 2029
Project Coordinator:	The project manager is Eng. David Kanui
Project Sponsor:	The project sponsor is Agence Francaise De Developement

2.3 Project Overview

Line Ministry and State/ County Department	The project is under the supervision of the Ministry of Water & Sanitation and Irrigation
Project number	CKE 1103
Strategic goals of the project	The strategic goals of the project are as follows: (i) To improve living conditions for the Population of Mombasa region by developing access to drinking water and sanitation.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Increase the volumes of drinking water produced in order to eliminate shortages in the city of Mombasa (ii) Reinforce and extend drinking water distribution network and collective sanitation system in Mombasa (iii) Build the capacities of the operator in order to gear up for the commissioning of the new system and improve the technical and administrative management of the service.
Other important background information of the project	None

<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <p>(i) Component 1</p> <p>Upstream investments which involves treatment, transfer and storage. i.e The construction of the raw water pumping station downstream from the Dam, a pumping main and water treatment plant with a capacity of 186,000m³ per day and a treated water reservoir.</p> <p>Another major infrastructure under this component is the transfer component, that is drinking water produced from Mwache plant will be transferred by gravity by at least three pipelines to the main distribution areas:</p> <ul style="list-style-type: none"> -Approximately 70,000m³ a day to the south districts and, in particular, Likoni (Dongo Kundu reservoir); -Approximately 80,000m³ a day to the west and centre districts (Changamwe reservoir); -Approximately 35,000m³ a day to the north districts (Nguu Tatu reservoir). <p>(ii) Component 2</p> <p>Downstream investments which involves distribution and sanitation with focus mainly on South Mainland that is:</p> <ul style="list-style-type: none"> -Increasing the hydraulic capacity of certain pipelines in order to distribute additional volumes from Mwache; -Rehabilitating old networks -Extending the network to new districts and increase the number of connections; -Facilitate leak prevention by implementing an efficient division into sectors. -Setting up emergency measures to improve perennial water shortages in Likoni e.g. setting up small
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***Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

	<p>desalination units, rehabilitate Tiwi boreholes or other measures to bring in additional water to Likoni.</p> <p>(iii) Component 3</p> <p>Capacity Building for the Water Service Provider which will target the drinking water distribution and sanitation network for Mombasa County (MOWASCO or its legally appointed successor). i.e. with the help of Long Term Technical Assistance who will assist to increase efficiency of the utility especially concerning reduction of Non-Revenue water. e.g. rehabilitation and implementation of stand pipes, installations of prepayment meters, hygiene awareness raising action, leak detection equipment etc</p>
Project duration	The project started on 21st June 2018 and was extended to end on the 1 st March 2029.

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Kenya Commercial Bank-Project Account No. 124-021-9660

2.5 Independent Auditor

The project is audited by the Office of the Auditor General.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1	Eng. Martin Tsuma	Chief Executive Officer	BSc. Electro-Mechanical Engineering	Accounting Officer
2	Eng. David Kanui	Deputy Director Planning & Design	BSc. Civil Engineering	Project Coordinator
3	CPA Stephen Kivuva	Deputy Director Finance	BBA, CPA(K)	Finance Manager
4	Stanslus Jira	Procurement Manager	MSc. Procurement & Logistics, BPSM, DSM	Procurement Manager
5	CPA Shee Kibibi	Principal Accountant	Bcom, CPA(K)	Project Accountant

2.7 Funding summary

The Project was initially for a duration of six years from 2018 to 2024, but due to delays in implementation especially on the major works (Dam), it was extended to end on March 2029 with an approved budget of EUR 120 million equivalents to Kshs 14.025 billion as highlighted in the table below:

**Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received (30 th June 2024)		Undrawn balance (30 th June 2024)	
	EUR	Kshs	EUR	Kshs	EUR	Kshs
	(A)	(A')	(B)	(B')	(A-B)	(A'-B')
(i) Grant						
AFD	100,599	11,620,068	100,599	11,620,068	-	-
(ii) Loan						
AFD	120,000,000	14,025,996,000	5,506,135	791,254,764	114,493,865	13,234,741,236
(iii) Counterpart funds						
Government of Kenya	13,000,000	1,519,482,900	1,655,792	248,676,480	11,344,208	1,270,806,420
Total	133,100,599	15,557,098,968	7,262,526	1,051,551,312	125,838,073	14,505,547,656

**Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2024)		Cumulative amount paid to date – (30 th June 2024)	Unutilised balance to date (30th June 2024)	
	<i>Donor currency</i>	<i>Kshs</i>		<i>Donor currency</i>	<i>Kshs</i>
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
(i) Grant					
AFD	100,599	11,620,068	11,620,068	-	-
(ii) Loan					
AFD	5,506,135	791,254,764	791,254,764	-	-
(iii) Counterpart funds					
Government of Kenya	1,655,792	248,676,480	95,357,899	-	153,318,581
Total	7,262,526	1,051,551,312	898,232,731	-	153,318,581

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

In the financial year 2023/2024, the project had a donor allocation of 1,920million. The actual disbursement as at 30th June 2024 was 390.4 million. This represents utilisation of 20% for the year. The following was done during the financial year:

- i) No objection of the Shortlisted Contractors for the Design, Build and Operate of Mwache Water Treatment Plant was granted by AFD and the Consultant submitted the Bidding Documents to AFD for review and No objection.
- ii) No objection of the Shortlisted Contractors for the construction three transmissions mains was granted by AFD and the Consultant submitted the Bidding Documents to AFD for review and No objection.
- iii) Evaluation for the new ERP for CWWDA was also completed and submitted to AFD.
- iv) Ongoing Construction of Tiwi Emergency Works at Progress of 58% as at 30th June 2024

The project didn't absorb funds as expected due to the following challenges:

- i) Delays in revenue funds disbursements which hindered payments on time to consultants.
- ii) Delays in getting approval for Tax exemptions especially on the Tiwi Emergency Works Contract.
- iii) Delays in getting Counterpart Funding to process taxes.
- iv) Long Procedures of processing Direct Payments.
- v) Delays in Fulfilment of all Conditions Precedent to the Credit Facility Agreement (CFA)

The following are the lessons learnt and recommended way forward:

- i) Regular follow up with our line ministry on issues of budgeting, disbursements and reconciliations of project funds.
- ii) Improved capacity building of staff by attending short management courses which has greatly improved contract management.

- iii) Regular site visits and management meetings to review project progress has been introduced and is bearing fruits.
- iv) Regular follow up with our line ministry and Treasury on issues of Tax exemptions.
- v) Regular follow up with our line ministry and Treasury on issues of fulfilment of conditions present of the CFA.
- vi) Regular follow up with AFD for timely issuance of No Objection Letters (NOLs).

2.9 *Summary of Project Compliance:*

There are no legal issues so far that have been raised and all procurements and implementations are carried out as per the required Procurement Regulations ensuring compliance with applicable laws and regulations, and essential external financing agreements/covenants.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

The key development objectives of the *project's agreement/* plan are to improve living conditions for the population of Mombasa region by developing access to drinking water and sanitation through:

- a) Increasing volumes of drinking water produced in order to eliminate water shortages in Mombasa
- b) Reinforce and extend water distribution networks and collective sanitation systems in Mombasa.
- c) Build the capacity of the operator in order to gear up for commissioning of the new system and improve the technical and administrative management of the service.

Progress on the attainment of strategic development objectives

To implement and cascade 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 to track progress and performance measurement.

***Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
AFD- Improvement of Drinking water and Sanitation systems in Mombasa: Mwache Project.	To improve living conditions for the population of Mombasa region by developing access to drinking water and sanitation	- 186,000m ³ /day Mwache water treatment plant designed and constructed - 80km of water transmission pipelines and 3No. tanks of capacity 14,000m ³ each designed and constructed - Approx 100km of primary water distribution pipelines designed and constructed	-600,000 people with access to safe drinking water by 2025 - Water service provision increased from current 6hr to 24hr per day by 2025 in Mombasa City - Reduction of NRW from 50% to 40% by 2025	-No objection of the Shortlisted Contractors for the Design, Build and Operate of Mwache Water Treatment Plant was granted by AFD and the Consultant submitted the Bidding Documents to AFD for review and No objection. -No objection of the Shortlisted Contractors for the construction three transmissions mains was granted by AFD and the Consultant submitted the Bidding

***Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

				<p>Documents to AFD for review and No objection.</p> <p>-Evaluation for the new ERP for CWWDA was also completed and submitted to AFD.</p> <p>- Ongoing Construction of Tiwi Emergency Works at Progress of 58% as at 30th June 2024</p>

4. Environmental and Sustainability Reporting

Coast Water Works Development Agency exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

i.Sustainability strategy and profile

The Mandate of the Coast Water Works Development Agency (CWWDA) is to develop and maintain sustainable water and sanitation infrastructure within its area of jurisdiction. It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio- economic development. It is our undertaking to ensure that Coast Water Works Development Agency has a credible strategic plan that will deliver the desired goals. This is faced with several challenges including rapid population growth especially in urban areas, increasing economic activities, adverse climatic changes, Covid 19 Pandemic and limited resources.

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the Coast Water Works Development Agency. We will also pay special attention to implementation of Post COVID-19 Recovery Strategies and Plans.

ii.Environmental performance

The organization recognizes the significance of Environmental and Social Management in Projects implementation. This is intended to be achieved by the adherence to the Environmental and Social Commitment Plans (ESCP) uniquely designed for each project. The ESCP outlines the measures and specific actions to be taken by each Contractor during the implementation of projects. The implementation of these measures and actions are periodically monitored by CWWDA Environmental Unit and reported accordingly.

CWWDA continually work together with partners such as County governments, Community members, WRA, NEMA, Water Resource Users Associations, administrations etc. within its area of jurisdiction to enhance participation of stakeholder and sustainability of projects

iii. Employee welfare

Coast Water Works Development Agency takes every effort to ensure that employees' well-being is considered as this affects them both at home and at work. CWWDA has an approved Human Resource and Procedure Manual that was passed through the Board and it ensures that it is strictly adhered to i.e. The Agency endeavours to preserve gender and cultural diversity in our employee mix and takes pride as an equal opportunity employer for all qualified persons, the policies and work plans for HIV/AIDs, Persons with Disability and Gender have been developed and are being implemented etc.

The organisation is committed to the observance of the requirements that provide for the safety, health and welfare of workers and any persons present at the workplace. These requirements as outlined in the Occupational Safety and Health Act of 2007, (OSHA) are assimilated in the Environmental and Social Management Plans for the projects. These requirements set out the obligations of both the employer and employees rights in cases of accidents, medical aid and occupational diseases. The execution of these requirements is strictly monitored and reported regularly.

iv. Marketplace practices-

a) Responsible Supply chain and supplier relations-

Coast Water Works Development Agency always publishes its tenders through the local dailies of nationwide circulation, our website and the Government of Kenya National Treasury Portal. In addition, all International Procurement Competition (IPC) tenders are also published in the Dg Market portal. This enables all prospective bidders to freely access the information and to participate in the procurement process. 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.

b) Responsible ethical practices

All engagements between CWWDA 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.

c) Regulatory impact assessment

Coast Water Works Development Agency encourages public participation and also clearance by relevant Government agencies to ensure consumer rights and interests are not infringed.

v. Community Engagements

Coast Water Works Development Agency engages in community development that is taking active role in National Tree Planting Campaigns, paying for the best student school fees of Lango Baya Primary School at our Baricho Station Area, played a role in curbing the spread of Covid 19 by provision of water through water trucking exercise and erection water tanks that were to supply free water & soap in various areas of our jurisdiction.

5. Statement of Project Management Responsibilities

The **Chief Executive Officer** Coast Water Works Development Agency (CWWDA) 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 the financial year ended on June 30, 2024.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Chief Executive Officer Coast Water Works Development Agency (CWWDA) 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.

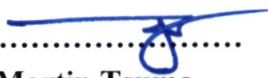
The Chief Executive Officer Coast Water Works Development Agency (CWWDA) and the **Project Coordinator** are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. Chief Executive Officer Coast Water Works Development Agency (CWWDA) 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 and the adequacy of the systems of internal financial control.

Chief Executive Officer Coast Water Works Development Agency (CWWDA) 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 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 Coast Water Works Development Agency (CWWDA) and the *Project Coordinator* on 20/9/ 2024 and signed by:

.....

Eng. Martin Tsuma
Chief Executive Officer
EBK No. A4132

.....

Eng. David Kanui
Project Coordinator
EBK No. A3232

.....

CPA Shee Kibibi
Project Accountant
ICPAK Member No:21329

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON IMPROVEMENT OF DRINKING WATER AND SANITATION SYSTEMS IN MOMBASA: MWACHE PROJECT (CREDIT NO. AFD LOAN NO.CKE 1103 01 C) FOR THE YEAR ENDED 30 JUNE, 2024 – COAST WATER WORKS DEVELOPMENT AGENCY

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project (Credit No. AFD LOAN NO.CKE

Report of the Auditor-General on Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project (Credit No. AFD LOAN NO.CKE 1103 01 C) for the year ended 30 June, 2024 – Coast Water Works Development Agency

1103 01 C) set out on pages 1 to 29, which comprise the statement of financial assets and liabilities as at 30 June, 2024, and the statements of receipts and payments, statement of cashflows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project as at 30 June, 2024, 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. CKE 1103 01 C dated 21 June, 2018 and the Public Finance Management Act, 2012.

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.2,070,000,000 and Kshs.572,901,341 respectively resulting to an under-funding of Kshs.1,497,098,659 or 72% of the budget. Similarly, the Project incurred an amount of Kshs.423,644,169 against actual receipts of Kshs.572,901,341, resulting to an under-utilization of Kshs.149,257,172 or 26% of the actual receipts.

The under-funding and under-utilization of funds affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Report of the Auditor-General on Improvement of Drinking Water And Sanitation Systems In Mombasa: Mwache Project(Credit No.AFD LOAN NO.cke 1103 01 C) for the year ended 30 june, 2024 – Coast Water Works Development Agency

Other Matter

Prior Year Matters

In the audit report of the previous financial year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. Although Management has indicated the status of the issues as resolved, no evidence was provided to support that position.

Other Information

Management is responsible for the other information set out on page iii to xx which comprise of Project Information and Overall Performance, Statement of Performance Against project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit on the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Report on Lawfulness and Effectiveness in Use of Public Resources, 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. Slow Implementation of the Project

The statement of receipt and payments and as disclosed in Note 8 to the financial statements reflects Kshs.408,040,992 as acquisition of non - financial assets which include Kshs.316,959,737 in respect of research, studies, project preparation, design & supervision. The Project incurred Kshs.34,980,371 for consultancy services for

preparation of detailed designs, tender documents, safeguards (ESIA AND RAP) reports and construction supervision of Mwache dam transmission pipelines and associated terminal reservoirs in the year under review. However, as previously reported, the water treatment plant and the transmission pipelines had delayed and may not be completed within the contract deadline of 19 December, 2025 and 30 September, 2024 respectively. The delay was explained to have been necessitated to allow the completion of the dam to avoid running the water treatment plant when there is no production.

In the circumstances, delays in project implementation may lead to cost overruns.

2. Delay in Project Completion – Emergency Works for Increasing Water Availability in Likoni

The statement of receipts and payments and Note 8 to financial statements indicates acquisition of non-financial assets amount of Kshs.408,040,992, which includes an amount of Kshs.91,081,225 for construction of civil works - emergency works for increasing water availability in Likoni, under contract No. CWSBA/AFD/W1/2019. The contract commenced on 16 July, 2018 for a period of eighteen (18) months, ending on 9 February, 2023. An extension was granted for a period of twelve (12) months, ending on 2 January, 2024 and further extended to 19 August, 2024. However, as previously reported, as at the time of audit field verification carried out on 27 August, 2024 there was slow progress in project implementation as works were still ongoing and without a valid contract in place.

In the circumstances, the Project may not have achieved value for money on the construction of civil works.

3. Failure to Purchase Survey Equipment

The contract signed between the Project Management and the contractor for the construction of civil works - emergency works for increasing water availability in Likoni provided for purchase of survey equipment at a cost of Kshs.3,000,000. However, the contractor had not purchased the survey equipment as at the time of audit, in August, 2024. No satisfactory explanation was provided for the omission.

In the circumstances, the contractor was in breach of the contract agreement and implementation and surveying of the project may be compromised.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The standard requires that I comply with ethical requirements, plan, and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Cash Basis and for maintaining effective internal 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 and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to

governance and risk management and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

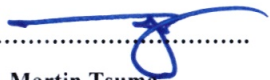
18 October, 2024

**Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

7. Statement of Receipts and Payments for the Year Ended 30th June 2024.

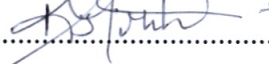
	Notes	2023/2024			2022/2023			Kshs Cumulative to- date (From inception)
		Receipts and Payments Controlled by the Entity	Payments made by third parties	Total	Receipts and Payments Controlled by the Entity	Payments made by third parties	Total	
RECEIPTS								
Transfer from Government entities	1	182,500,000	-	182,500,000	50,000,000	-	50,000,000	248,676,480
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	11,620,068
Loan from external development partners	3	344,138,200	46,263,141	390,401,341	-	31,445,674	31,445,674	791,254,764
Miscellaneous receipts	4	-	-	-	-	-	-	-
TOTAL RECEIPTS		526,638,200	46,263,141	572,901,341	50,000,000	31,445,674	81,445,674	1,051,551,312
PAYMENTS								
Compensation to employees	5	-	-	-	-	-	-	-
Purchase of goods and services	6	15,532,410	-	15,532,410	2,091,768	-	2,091,768	24,761,039
Social security benefits	7	-	-	-	-	-	-	-
Acquisition of non-financial assets	8	361,777,851	46,263,141	408,040,992	287,476,409	31,445,674	318,922,083	873,328,295
Transfers to other government entities	9	-	-	-	-	-	-	-
Other grants and transfers /payments	10	70,767	-	70,767	51,021	-	51,021	143,398
TOTAL PAYMENTS		377,381,027	46,263,141	423,644,169	289,619,198	31,445,674	321,064,872	898,232,732
SURPLUS/(DEFICIT) FOR THE YEAR		149,257,173	-	149,257,173	(239,619,198)	-	(239,619,198)	153,318,580

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

.....

 Eng. Martin Tsuma
 Chief Executive Officer
 EBK No. A4132

.....

 Eng. David Kanui
 Project Coordinator
 EBK No. A3232

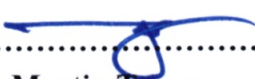
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 CPA Shee Kibibi
 Project Accountant
 ICPAK Member No:21329

**Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

8. Statement of Financial Assets and Liabilities as at 30th June 2024

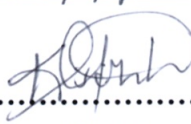
Description	Note	2023-2024 Kshs	2022-2023 Kshs
Financial Assets			
Cash and Cash Equivalents			
Cash and Cash Equivalents	11	153,318,580	4,061,408
Imprest & Advances	12	-	-
Cash equivalents (Short-term deposits)		-	-
Total Financial Assets (A)		153,318,580	4,061,408
Financial Liabilities			
Third party Deposits and Retention	13	-	-
Total Financial Liabilities (B)		-	-
Net Financial Assets (A-B)		153,318,580	4,061,408
Represented By			
Fund Balance B/fwd.	14	4,061,408	243,680,606
Prior Year Adjustments	15	-	-
Surplus/(Deficit) for the Year		149,257,173	(239,619,198)
Net Financial Assets		153,318,580	4,061,408

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 20/9/2024 and signed by:

.....

Eng. Martin Tsuma
Chief Executive Officer
EBK No. A4132

.....

Eng. David Kanui
Project Coordinator
EBK No. A3232

.....

CPA Shee Kibibi
Project Accountant
ICPAK Member No:21329

**Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

9. Statement of Cash flows for the year ended 30th June 2024

Description	Notes	2023/2024 Kshs	2022/2023 Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	182,500,000	50,000,000
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Total receipts		182,500,000	50,000,000
Payments			
Compensation of employees	5	-	-
Purchase of goods and services	6	15,532,410	2,091,768
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	70,767	51,021
Total Payments		15,603,177	2,142,789
Adjustments during the year			
Prior year adjustments	15	-	-
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
		-	-
Net cash flow from operating activities		166,896,823	47,857,211
Cashflow from investing activities			
Acquisition of non-financial assets	8	(361,777,851)	(287,476,409)
Net cash flows from investing activities		(361,777,851)	(287,476,409)
Cash flow from financing activities			
Proceeds from foreign borrowings	3	344,138,200	-
Net cash flow from financing activities		344,138,200	-
Net increase in cash and cash equivalents		149,257,173	(239,619,198)
Cash and cash equivalent at beginning of the year	11	4,061,408	243,680,606
Cash and cash equivalent at end of the year	11	153,318,580	4,061,408

10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 24

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget utilisation Difference	% of Variance
	a	b	c=a+b	d	e=d-c	f=e/c
Receipts						
Transfer from Government entities	150,000,000	-	150,000,000	182,500,000	32,500,000	22%
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	2,030,000,000	(110,000,000)	1,920,000,000	390,401,341	(1,529,598,659)	-80%
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts	2,180,000,000	(110,000,000)	2,070,000,000	572,901,341	(1,497,098,659)	-72%
Payments						
Compensation to employees	-	-	-	-	-	-
Purchase of goods and services	15,532,410	-	15,532,410	15,532,410	-	0%
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets	408,040,992	-	408,040,992	408,040,992	-	0%
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	70,767	-	70,767	70,767	-	0%
Total Payments	423,644,169	-	423,644,169	423,644,169	-	0%
Surplus or Deficit	1,756,355,831	-	1,646,355,831	149,257,173	(1,497,098,659)	-91%

Note: The significant budget utilization/performance differences in the last column are explained in Annex 2 to these financial statements.

11. Significant Accounting Policies

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

a) 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.

b) Reporting entity

The financial statements are for the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project under the State Department of Water. The financial statements are for the reporting entity (CWWDA) implementing the Improvement of Drinking Water and Sanitation Systems in Mombasa: Mwache Project as required by Section 81/ Section 164 of the PFM Act, 2012.

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), the project's functional and reporting currency. All values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

The project recognizes all receipts from various sources when an event occurs, and the related cash is received.

i) Transfers from the Exchequer

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

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

These are loans and grants at the reporting date 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. The funding summary analyzes the Project's undrawn external assistance.



Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

Salaries, wages, Allowances, and Statutory Contributions for employees are recognized when the compensation is paid.

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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



Significant Accounting Policies (continued)

v) Acquisition of fixed assets

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

f) In-kind donations

In-kind contributions are donations 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.

Significant Accounting Policies (Continued)

h) 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.

i) Imprests and Advances

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.

j) 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. There were no contingent liabilities in the year.

Significant Accounting Policies (Continued)

k) 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.

l) 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.' 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.

m) 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*.



Significant Accounting Policies (Continued)

n) 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.

o) 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 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 recognized in the statements of receipts and payments.

p) 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.

q) 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, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented *in note 15 of these financial statements*.

12. Notes to the Financial Statements

1. Transfers from Government entities

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

Quarter	2023/2024	2022/2023	Cumulative To Date (from Inception)
Counterpart Funding through Ministry of Water and Sanitation & Irrigation	Kshs	Kshs	Kshs
Counterpart Funds Quarter 1	125,000,000		125,000,000
Counterpart Funds Quarter 2	57,500,000		73,676,480
Counterpart Funds Quarter 3		50,000,000	50,000,000
Counterpart Funds Quarter 4			-
Total	<u>182,500,000</u>	<u>50,000,000</u>	<u>248,676,480</u>
			-
Other Transfer from Government Entities			-
			-
Appropriation in Aid			-
			-
Total	<u>182,500,000</u>	<u>50,000,000</u>	<u>248,676,480</u>

During the year under review, the project received GOK counterpart as shown above, these funds caters for Operations Expenses, Taxes and Land Compensations.

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2024, there were no grants received from the donor.

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2024, we received funding from development partners in the form of loans negotiated by the National Treasury, as detailed in the table below:

Description	2023/2024					2022/2023	Cumulative to date
Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	
		EUR	Kshs	Kshs	Kshs	Kshs	
Loans received from Multilateral Donors (International Organizations)							
AFD	21.2.2024	2,000,000	344,138,200	-	344,138,200	31,445,674	744,991,623
AFD	15-Jan-24	73,259	-	12,889,961	12,889,961	-	12,889,961
AFD	15-Jan-24	71,840	-	12,640,234	12,640,234	-	12,640,234
AFD	5-Apr-24	73,517	-	10,446,143	10,446,143	-	10,446,143
AFD	5-Apr-24	72,395	-	10,286,803	10,286,803	-	10,286,803
							-
Total		2,291,011	344,138,200	46,263,141	390,401,341	31,445,674	791,254,764

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

There were no miscellaneous receipts received by the project during the year under review.

5. Compensation to Employees

There was no expenditure on compensation of employees because all project staff are CWWDA employees.



6. Purchase of Goods and Services

	2023/2024			2022/2023			Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Payments made in Cash	Payments made by third parties	Total payments	
Utilities, supplies and services	-	-	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-	-	-
Domestic travel and subsistence	1,900,275	-	1,900,275	1,303,600	-	1,303,600	3,590,275
Foreign travel and subsistence	-	-	-	-	-	-	-
Printing, advertising, and information supplies	73,080	-	73,080	-	-	-	73,080
Rentals of produced assets	-	-	-	-	-	-	-
Training payments	1,488,866	-	1,488,866	-	-	-	1,488,866
Hospitality supplies and services	-	-	-	-	-	-	-
Insurance costs	-	-	-	-	-	-	-
Specialized materials and services	-	-	-	-	-	-	-
Other operating payments	12,070,190	-	12,070,190	765,269	-	765,269	19,585,920
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-	-	-
Routine maintenance- other assets	-	-	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	22,899	-	22,899	22,899
Total	15,532,410	-	15,532,410	2,091,768	-	2,091,768	24,761,039

This relates to expenses incurred while running the project, that is during the reporting period Kshs. 15,532,410 was used to cater for water quality monitoring tests carried out for Mwache Dam River, staff training and other operating expenditures illustrated above.



7. Social Security Benefits

All social security benefits for employees are catered for by Coast Water Works Development Agency.

8. Acquisition of Non-Financial Assets

	Payments made in Cash	Payments made by third parties	Total payments	Payments made in Cash	Payments made by third parties	Total payments	Cumulative to-date
	2023-2024			2022-2023			
	Kshs.	Kshs.	Kshs	Kshs.	Kshs.	Kshs	Kshs
Purchase of buildings	-	-	-	-	-	-	-
Construction of buildings	-	-	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-	-	2,321,110
Construction of roads	-	-	-	-	-	-	-
Construction of civil works	91,081,255	-	91,081,255	68,838,368	-	68,838,368	198,050,380
Overhaul & refurbishment of construction and civil works	-	-	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	-	-	-
Overhaul of vehicles & other transport equipment	-	-	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-	-	-
Purchase of office furniture & general equipment	-	-	-	-	-	-	-
Purchase of specialised plant, equipment and machinery	-	-	-	-	-	-	-
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-	-	-
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-	-	-

*Improvement Of Drinking water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

	Payments made in Cash	Payments made by third parties	Total payments	Payments made in Cash	Payments made by third parties	Total payments	Cumulative to-date
	2023-2024			2022-2023			
	Kshs.	Kshs.	Kshs	Kshs.	Kshs.	Kshs	Kshs
Research, studies, project preparation, design & supervision	270,696,596	46,263,141	316,959,737	218,638,041	31,445,674	250,083,716	672,956,805
Rehabilitation of civil works	-	-	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-	-	-
Acquisition of land	-	-	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-	-	-
Total	361,777,851	46,263,141	408,040,992	287,476,409	31,445,674	318,922,083	873,328,295

During the period under review, an amount of Kshs. 46,263,141 was paid through direct payment mode, this amount is for the Consultancy for long term technical assistance for Coast Water Works Development Agency. The other expenditures relates to various Consultancy Services and civil works under the project.

Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

During the 12 months to 30 June 2024, there were no transfer of funds to other reporting government entities

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers, and Payments

During the 12 months to 30 June 2024 other transfer of grants and payments was Kshs 70,767 which relates to bank charges for the Project Account.

	Payments made in Cash	Payments made by third parties	Total payments	Payments made in Cash	Payments made by third parties	Total payments	Cumulative to-date
	2023-2024			2022-2023			
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships	-	-	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-	-	-
Miscellaneous payments	70,767	-	70,767	51,021	-	51,021	143,398
Total	70,767	-	70,767	51,021	-	51,021	143,398



Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts (Note 11A)	153,318,580	4,061,408
Cash in hand (Note 11B)		
Cash equivalents (short-term deposits) (Note 11C)		
Total	153,318,580	4,061,408

The Project has one (1) project account spread within the project implementation area and one (1) of foreign currency Designated Accounts (DA) in the Central bank of Kenya (CBK) managed by the National Treasury as listed below

11. A Bank Accounts

Project Bank Accounts

Details	2023/2024	2022/2023
	Kshs	Kshs
Bank Balances KCB Account 124-021-9660	153,318,580	4,061,408



Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2024 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

There were no funds in the Project's Special Deposit Account(s) as at 30th June 2024

Notes to the Financial Statements (Continued)

11 B Cash in hand

The Project did not have any cash in hand.

11 C Cash equivalents (short-term deposits)

The Project did not have any short-term deposits.

12 Imprests and Advances

The Project did not have any outstanding imprest and advances.

12A: Breakdown of Imprests and Advances

This was not applicable as the project did not have any outstanding imprests and advances.

13 Third-Party Deposits and Retention

There were no deposits and retentions during the year under review.

*Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

14 Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts	153,318,580	4,061,408
Cash in hand		
Cash equivalents (short-term deposits)		
Outstanding imprests and advances		
Deposits and retention		
Total	153,318,580	4,061,408

15 Prior Year Adjustment

There were no prior year adjustments during the reporting period.

16 Changes in Accounts Receivables (Imprests and Advances)

There were no Changes in Account Receivable.

17 Changes in Accounts Payables (Deposits and Retention)

There were no changes in Account Payable



Other Important Disclosures

18 Pending Accounts Payable

There were no pending accounts payables during the year under review.

	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	10,248,815	-	10,248,815	-
Total	10,248,815	-	10,248,815	-

	Balance b/f FY 2022/2023	Additions for the period	Paid during the year	Balance c/f FY 2023/2024
Description	EUR	EUR	EUR	EUR
Construction of buildings				
Construction of civil works				
Supply of goods				
Supply of services	276,230	-	276,230	0
Total	276,230	-	276,230	0

19 Pending Staff Payables

There were no pending staff payables.

20 Other Pending Payables

There were no pending bills by 30th June 2024

Other Important Disclosures (Continued)

21 External Assistance

There were no external assistance during the financial reporting period

a). External assistance relating to loans and grants

Not applicable as there are no external assistance

b) Undrawn external assistance

Not applicable as there are no external assistance

c) Classes of providers of external assistance

Not applicable as there are no external assistance

d.) Non-monetary external assistance

Not applicable as there are no external assistance

e) Purpose and use of external assistance

Not applicable as there are no external assistance

f). External Assistance paid by third parties on behalf of (the Entity) by Source

Not applicable as there are no external assistance

Other Important Disclosures (Continued)

22 Payments By Third Party on Behalf of The Project

22.1 Classification by Source

Not applicable as there are no third party payments on behalf of the Project

22.2 Classification of payments made by Third Parties by Nature of expenses

Not applicable as there are no third party payments on behalf of the Project

23 Related Party Disclosures

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS. The comprise of related parties to the Project.

- i) Key management personnel, including the program director/manager
- ii) The implementing entity/ministry/ County department
- iii) Other Ministries and Departments.
- iv) The National /County Treasury

Related party transactions:

Not applicable as there are no third party payments on behalf of the Project.

24 Contingent Liabilities

There were no contingent liabilities during the reporting period

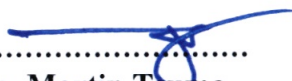
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Annual Report and Financial Statements for the financial year ended June 30, 2024**

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

There were no prior year Auditor General's Recommendations.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1	Unreconciled and unexplained variance between the project's Financial Statements and Special Accounts Statement Figures	The Project Special Account Statement was provided and indicated a NIL balance as at closure of the Financial Year.	Resolved	
2	Accounts Receivable- Undisclosed Outstanding Imprests	Imprests and surrenders for Mwache Water Quality tests were provided, and were disclosed in the institutional Financial Statements.	Resolved	

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Eng. Martin Tsuma
Chief Executive Officer

.....

Eng. David Kanui
Project Coordinator



***Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Annex 2: Variance explanations - Comparative Budget and Actual Amounts for Current FY

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	150,000,000	182,500,000	(32,500,000)	122%	There were delays in GOK funds disbursements, as at end of FY 2023/2024 only a quarter of the budgeted amount was received, an amount of kshs.125Million was received during the year under review, this was balance brought forward for FY 22/23.
Proceeds from domestic and foreign grants	-	-	-	-	
Proceeds from borrowings	1,920,000,000	390,401,341	1,529,598,659	20%	The low absorption was due to delays in funds disbursements and also slow processing of direct payment.
Miscellaneous receipts			-	-	
Total Receipts	2,070,000,000	572,901,341	1,497,098,659	28%	The low absorption was due to delays in funds disbursements and also slow processing of direct payment.
Payments					
Compensation of employees					
Purchase of goods and services	15,532,410	15,532,410	-	100%	
Social security benefits			-	-	
Acquisition of non-financial assets	408,040,992	408,040,992	-	100%	
Transfers to other government entities			-	-	
Other grants and transfers	70,767	70,767	-	100%	
Total payments	423,644,169	423,644,169	-	100%	



**Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024**

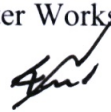
Annex 3: Reconciliation of inter-entity transfers

Project Name:				
Break down of transfers from the State Department of Water				
A.	Government Counterpart funding			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	GOK	3.8.2023	125,000,000	22-23
		11.10.2023	10,000,000	23-24
		24.10.2023	10,000,000	23-24
		12.2.2024	37,500,000	23-24
		Total	182,500,000	
B.	Direct payments			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	SEURECA IPC 8	15-Jan-24	12,889,961	23-24
	SEURECA IPC 9	15-Jan-24	12,640,234	23-24
	SEURECA IPC 10	5-Apr-24	10,446,143	23-24
	SEURECA IPC 11	5-Apr-24	10,286,803	23-24
		Total	46,263,141	
C.	Others			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
	AFD FUNDS	21.2.2024	344,138,200	23-24
		Total	344,138,200	
Total (A+B+C)			572,901,341	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

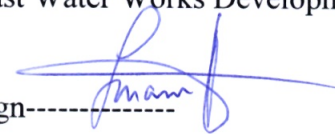
Project Coordinator
Coast Water Works Development Agency

Sign -----



Head of Accounting Unit
Coast Water Works Development Agency

Sign-----





*Improvement Of Drinking Water And Sanitation Systems In Mombasa: Mwache Project
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 4: Summary of Fixed Assets Register

Asset class	Opening Cost	Donations in form of assets	*Purchases/ Additions in the Year	**Disposals in the Year (KShs) 2023/2024	Transfers in/(out) Kshs 2023/2024	Closing Cost (KShs) 2023/2024
	(KShs) 2023/2024 (a)	(KShs) 2023/2024 (b)	(KShs) 2023/2024 (c)	(d)	(d)	(e)= (a)+ (b)+c- (d)+(-)d
Land						-
Buildings and structures						-
Transport equipment						-
Office equipment, furniture and fittings						-
ICT Equipment,						-
Other Machinery and Equipment						-
Heritage and cultural assets						-
Biological assets						-
Infrastructure assets roads, rails						-
Intangible assets						-
Work in Progress	106,969,125	-	91,081,255			198,050,380
Total	106,969,125	-	91,081,255			198,050,380



Annex 5: Other Support Documents

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations statement as at 30th June 2024
- iii. Special Deposit Account(s) reconciliation statement(s)