



Water Services Trust Fund

ISO 9001:2008 CERTIFIED

Annual Rural and Water Resources Programme Report

FY 2014/2015



August 2015

LIST OF ABBREVIATIONS AND ACRONYMS

ADB	African Development Bank
CBO	Community Based Organization
CDF	Constituency Development Fund
CPC	Community Project Cycle
CoK	Constitution of Kenya
BOT	Board of Trustees
DP	Development Partner
DWO	District Water Officer
EACC	Ethics and Anti-Corruption Commission
ECOSAN	Ecological Sanitation toilets
EU	European Union
FAS	Fund Accountability Statement
FY	Financial Year
GOD	Government of Denmark
GOF	Government of Finland
GOK	Government of Kenya
GON	Government of Netherlands
GOS	Government of Sweden
HIV	Human Immunodeficiency Virus
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
ISO	International Organisation for Standardisation
KENAO	Kenya National Audit Office
KPLC	Kenya Power and Lighting Company
KWSDP	Kenya Water Sector Development Program
KWSP	Kenya Water and Sanitation Program
MFA	Ministry of Foreign Affairs of Finland
MOU	Memorandum of Understanding
MTAP	Medium Term Asal Programme
MoEW&NR	Ministry of Environment, Water and Natural Resources
NEMA	National Environment Management Authority
NI	Data Not Indicated
NGO	Non-Governmental Organization
PDP	Project Defect Liability Period
PHAST	Participatory Hygiene and Sanitation Transformation

PMU	Programme Monitoring Unit
PSC	Programme Steering Committee
PWC	PriceWaterhouseCoopers
QCA	Quality Control Agent
QMS	Quality Management System
RFA	Results Framework
SEK	Swedish Kroner
SHARE	Supporting Horn of Africa Resilience in Kenya
Sida	Swedish International Development Agency
SL	Service Level
SNV	The Netherlands Development Organization
SO	Support Organization
SWAP	Sector Wide Approach
TA	Technical Assistance
TOR	Terms of Reference
UPC	Urban Projects Cycle
UN	United Nations
UNICEF	United Nations Children's Fund
UPC	Urban Projects Concept
VIP	Ventilated Improved Pit-latrine
WASH	Water and Sanitation for Hygiene
WB	World Bank
WDC	Water Resources Development Cycle
WRMA	Water Resources Management Authority
WRUA	Water Resources Users' Association
WS	Water supply
WSB	Water Services Board WSP
WSP	Water Service Provider
WSTF	Water Services Trust Fund

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PREFACE

During the period under review, Water Services Trust Fund continued to implement the Strategic Plan 2008-2013 which was revised in June 2011 to accommodate emerging programmes and systems as well as the increased scope of supported activities. The mandate of the WSTF continued to be guided by the Water Act (2002) which is to assist in financing the provision of water and sanitation services to areas without adequate access to these services in Kenya.

The reporting period for this progress report covers the 4th Quarter of the FY 2014/2015 i.e. from 1st April to 30th June 2015. During the Quarter, WSTF had two programmes running which were; the new Government of Sweden and Finland Joint financing programme; MTAP2 programme supported by Government of Denmark and EU share.

The year under review (FY 2014/2015) was the last implementation year for the current strategic plan 2008-2013 and as such accorded WSTF an opportunity to assess achievements, setbacks, challenges, lessons and opportunities in the past five years in the operations, financing mechanisms and in the general operating environment.

This report covers implementation of programme and project activities during the financial year 2014/2015. It is expected to inform the Board of Trustees, Ministry of Environment, Water and Irrigation, Development Partners and other stakeholders on the implementation progress made in the Rural Investment Programme. The report has been compiled from various reports from Water Services Boards, County water office, implementing partners, project field visits, reports from consultancies and peer evaluations, as well as WSTF's own financial and progress reports accumulated during the year.

The report is organized into the following chapters: this preface which gives a brief prelude on the operating environment as well as the structure of the report; an executive summary which provides a synopsis of the projects' progress and financing during the reporting period; introduction which highlights the major events in the country and the operating environment which had a bearing on the achievement of the objectives of WSTF; governance and coordinating mechanisms which highlights the coordination mechanisms in the rural window and the WSTF; Audit Arrangements which provides highlight of the audit during the year by PWC and Deloitte as well as a follow-up on the outstanding audit issues; strategic highlights of activities during the year under review; a report on the implementation progress in the windows and the report ends with a synopsis of the monitoring of the funds' investments and the results framework.

EXECUTIVE SUMMARY

Since WSTF commenced its operations in March 2005, the institution has realized tremendous growth on all performance monitoring indicators ranging from investments, resources mobilized, development partners as well as the human resources capacity. The growth has provided an ideal environment for institutionalization of lessons learnt and Best Practices as well as in the review of financing procedures and systems.

During the year 2014/2015, WSTF has realized completion of 193 rural investment projects supported through three financing streams-Government of Denmark, Finland and Sweden; in addition 1,211 GOK/UNICEF WASH projects were completed. The implementation period saw increased efforts towards completion and closure of projects funded under the Governments of Denmark – MTAP 1 which closed on 31st December 2014.

WSTF has concluded the development of a new strategic plan 2014- 2019 which seeks to upscale implementation of activities and programmes. In order to achieve this, increased investments in the institution require to be made. During the year under review, WSTF received a total disbursement of Ksh 1,392,692,175 to support programme implementation and operations, of which Ksh 688 million went to the rural and water resources investments and Ksh 705 million was to support activities in the Urban Investment.

The CPC saw remarkable improvement in the completion of the funded projects. A total of 186 projects were completed as at the end of the year representing 94% of the total funded projects. As at the end of the year under review, a total of 787,320 people were estimated to have had improved access to water and sanitation services. This represented 92% of the target population for the programmes.

To support climate change adaptation and mitigation initiatives in Kenya, WSTF is supporting the Water Resource investment programme activities. A total of 18 WRUAs were supported during the year under review at a total cost of Ksh 29,924,589.50 of which Ksh 3,606,907.50 was disbursed to WRMA for WRUA support, Ksh 2,271,632.00 for monitoring, trainings, and bank charges and Ksh 24,046,050 were direct disbursements to projects. Cumulatively, a total of 312 No. WRUA contracts have been funded at a cost of Ksh 302,543,256.00. The focus of this financing continued to be on the alarm catchment areas.

WSTF with the funding from Government of Netherlands/UNICEF has been supporting the implementation of WASH programme through collaborations with WSBs, DWO's and communities. A total of Ksh 26.5M was disbursed during the year as counterpart funds to support implementation of activities in 4 WSBs. A total of 1,296 projects have been funded to date in the programme targeting 1.6 million people, of these 1,178 projects have been completed representing 92.5% of the funded projects. The completed projects are estimated to have reached 713,300 people representing 43.4% of the total population targeted.

WSTF has facilitated several County engagement forums for six counties under GOF and GOS support and County consensus building workshops six counties under Medium Term ASAL programme phase 2 support, all geared to developing a County financing mechanism.

1. INTRODUCTION

1.1 Institutional Framework

The Water Services Trust Fund (WSTF) is a State Corporation established under the Water Act, 2002 section 83(1) with a mandate to “assist in financing the provision of water services to areas of Kenya which are without adequate services”.

Vision: “To be the institution of choice in financing the improvement of access to water and sanitation for the underserved in Kenya.”

Mission: “To finance the development of sustainable water and sanitation services and water resources management.”

Core values: In order to achieve its mandate and vision, WSTF is guided by the core values of Sustainability, Integrity, Good Governance, Human Dignity and Teamwork.

Strategic Objectives: In the Strategic Plan 2014 – 2019 & running during the period of implementation of the programme, the following strategic objectives were adopted:

- To mobilize KES 16.6 Billion to finance investment programmes in the Counties by June 2019.
- Develop innovative funding mechanisms to enhance development of sustainable water, sanitation and water resources projects in the counties with Public Private Partnerships.
- To finance the development of sustainable water and sanitation services and water resources management to improve access for 5 Million people in underserved areas.
- To enhance capacity development for efficient service delivery and ensure sustainability of investments.

1.2 Funding Mechanisms

WSTF is charged with the unique mandate of financing the underserved communities in the needy areas of the country. In order to achieve this, WSTF has developed specialized funding mechanisms through which it targets specific areas as outlined below:

Rural Investment Programme

The Rural Programme is one of the mechanisms WSTF uses to fund rural water and sanitation projects. The Programme aims at enhancing the capacity of communities to apply for, manage, implement and maintain their own water and sanitation facilities in a sustainable manner. This system has relied upon supportive services outsourced from the private and NGO sectors in supervision and technical advice, and allows the Counties to concentrate on key elements of coordination, facilitation and capacity development.

The Programme is currently reviewing its financing mechanism in line with the county government mandate which has seen provision of water services being devolved to the counties.



Community members drawing water from a water kiosk in Kwale County

Urban Investment Programme

The Urban Investment Programme is an approach developed together with the Water Services Providers (WSPs) to support improved access to water and sanitation to poor and underserved urban areas.



Completed & operational water kiosk in Ongata Rongai, Kajiado County

Water Resources Investment Programme

The Water Resources Programme is a mechanism of supporting WRUAs who have been mandated by WRMA to manage the water resources within their sub catchments. To achieve this, the WSTF works hand in hand with the Water Resources Management Authority which helps prepare and screen the WRUA proposals before onward transmission to WSTF for funding.



Kilui wetland, Kibwezi WRUA in Makeni County

UNICEF-GOK WASH

The Programme is a collaboration between the Government of Netherlands, Ministry of Environment, Water and Natural Resources (MoEW&NR) through Water Services Trust Fund (WSTF) and UNICEF. The Programme implementation period has been from the year 2008 until December 2014 providing a direct contribution to the acceleration of Millennium Development Goals and improvement of child survival rates and development in the target districts.



A completed & operational Muema shallow well in Kwale County

Each of the above funding mechanisms promotes the delineation of roles within the sectors for improved quality control and good governance through independent oversight and monitoring of resource utilization. WSTF is responsible to ensure that the fiduciary risks are minimized through effective funding and monitoring mechanisms.

2. FUNDING IN THE F/Y 2014/2015

WSTF over the years has sustained financing partnerships from existing financing partners as well as continued to attract new partnerships over the years. During the year under review, the main financing partners to the Rural Investment and Water Resources Investment Programmes are shown in Table 1.0:

Table 1.0: Rural and Water Resources Financing Partners

Financing Partner	Programmes/ Financing streams supported
Government of Kenya	Rural, Water Resources & WASH
Government of Finland	Rural & Water Resources
Government of Sweden	Rural & Water Resources
Government of Denmark – DANIDA & EU Share	Rural & Water Resources
International Fund for Agriculture Development (IFAD) – Upper Tana Resources Management programme	WRIP

Figure 1.0 demonstrates the growth of the funding from different development partners to the Water Services Trust Fund since its establishment. The Fund has been very successful in attracting donor funding and the trend has been growing consistently. New financiers have joined the Trust Fund, whilst majority of the ones, who were funding WSTF in its inception have also continued supporting.

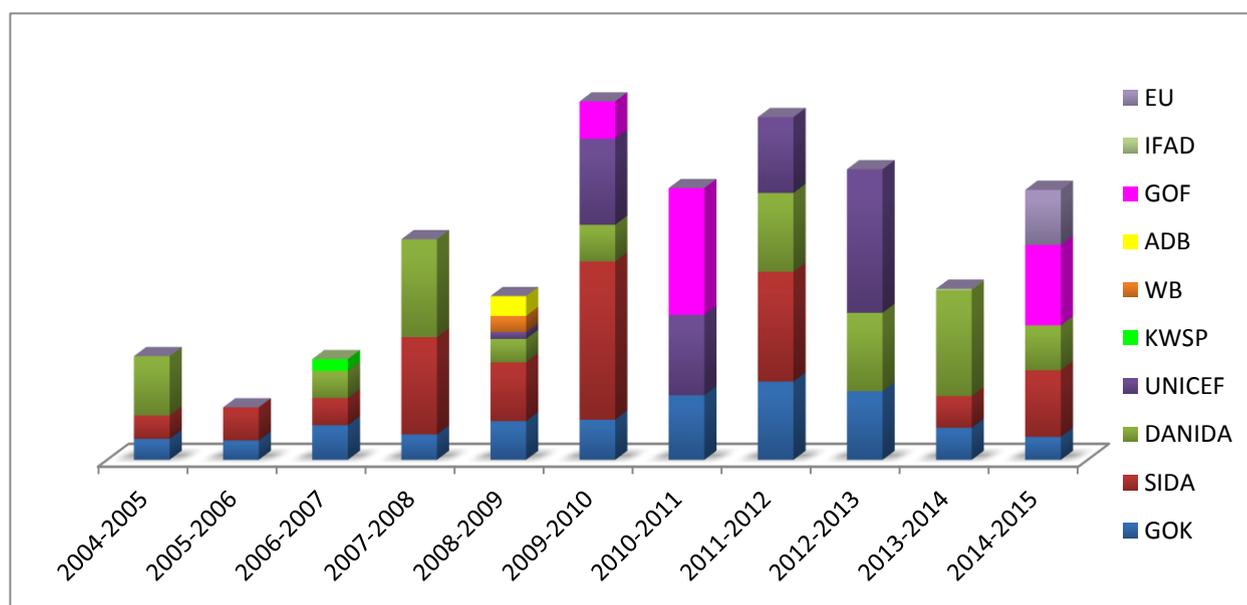


Figure 1.0 Trends in WSTF Rural and Water Resources Financing

The funding from the Government of Kenya has also been growing consistently, save for the exception of 2012/13 and 2013/2014 when the GOK budget allocation to WSTF reduced from previous years. This was due to the overall budget reduction to the central government agencies.

3. GOVERNANCE AND COORDINATION MECHANISMS

This chapter outlines the various governance, coordination and management mechanisms that were employed during the year to achieve the various objectives in the Rural and Water Resources Investment Programmes.

3.1 Governance of WSTF

Board of Trustees; WTSF is governed by a 9 member Board of Trustees (BoT) who are mandated to offer strategic direction of the Fund. The Board of Trustees is not involved in the day to day management of the affairs of the fund. To ensure efficiency and effectiveness in the management of its affairs, the BoT has constituted the following sub-committees which report to the full Board:

- **Finance and Resource Mobilization Committee;** this committee is charged with the responsibility of strategic direction in Human Resources, Finance and Administration, and Resource mobilization. During the year under review, the committee held five meetings.

Investment & Monitoring Committee; this committee is mandated to oversee the efficient management of the WSTF Investment portfolio, review and recommend projects to the Board for approval and funding, as well as offer strategic direction in the Monitoring and evaluation of the investments. During the F/Y 2014/2015, the committee met four times in the conduct of its duties.

- **Audit Committee;** the committee monitors the implementation of the Audit Work plan as well as follow-up on the audit issues raised by internal and external partners. In the year under review, five committee meetings were undertaken by the audit committee.

The management structure of the WSTF continued to be guided by the approved organogram in the revised strategic plan. WSTF has continued to retain a fairly flat structure despite the increased investment portfolio. WSTF had staff strength of 43 personnel as at the end of the year under review.

3.2 Coordination Mechanisms

The Rural and Water Resources Investments coordination mechanisms are mainly vested in the Rural Steering Committee. This is a committee comprising of the main stakeholders in the Rural Investment Programme and meets on a quarterly basis to monitor implementation progress in the programmes as well as address pertinent issues affecting the Rural programme.

The following members constituted the Rural Steering Committee during the year under review:

- Government of Kenya, representative from the MoEWNR
- Government of Sweden
- Government of Finland
- Embassy of Denmark
- UNICEF, Kenya Country Office
- Embassy of the Kingdom of the Netherlands
- Representative from IFAD
- Water Resources Management Authority

The Rural Steering Committee met on a quarterly basis in the year under review. In addition, a joint Rural and Urban Steering Committee members visited Implementing agents in Tana WSB between 27th to 30th April 2015. The team visited WSTF financed Rural, Water Resources and Urban investment projects.



Mr. Kamau of Embassy of Finland, Programme Manager having a discussion with the members of the Kamwene Water Project

4. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

4.1 Internal Control and Risk Management

4.1.1 Internal Control

The Board of Trustees are responsible for reviewing the effectiveness of the Trust Fund's system of internal control which is designed to provide reasonable, but not absolute, assurance regarding:

- (a) The safeguarding of assets against unauthorized use or disposition
- (b) The maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss. Some of the controls are noted below:

a. Standing Instructions

The Trust Fund has a Code of Ethics and Service Charter that is applicable to all employees. These are two in number of Standing Instructions to employees of the Trust Fund designed to enhance internal control. The Trust Fund has also designed a set of standing instructions to be followed in the financing of projects in each programme.

b. Organization Structure

A clear organizational structure exists, detailing lines of authority and control responsibilities. The professionalism and competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system which establishes targets, reinforces accountability and awareness of controls and identifies appropriate training requirements. Training plans are prepared and implemented to ensure that staff develop and maintain the required skills to fulfill their responsibilities, and that the Trust Fund can meet its future management requirements.

c. Strategic Plan

The business of the Trust Fund is determined by the Strategic Plan. The Strategic Plan sets out the objectives of the Trust Fund and the annual targets to be met to attain those objectives. The Strategic Plan is evaluated annually to assess the achievement of those objectives. The Board on an annual basis approves the work plan supported by the financial plan for the year. Progress against the plan is monitored on a quarterly basis.

The Trust Fund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Trust Fund, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2014/15.

d. Management Team

The Management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. Such policies developed include the Anti-corruption policy, Disability, Gender, HIV mainstreaming and ICT policy, etc.

4.2 Risk Management

The Trust Fund's Board of Trustees has the responsibility for ensuring an appropriate risk management process is in place to identify, manage high and significant risks to the achievement of the WSTF's objectives. These risks include operational, financial and reputational risks that are inherent in the nature of WSTF's activities. The risks are as dynamic as the environment in which the WSTF operates. These risks represent the potential for loss resulting from inadequate or failed internal processes or systems, human factors, or external events.

The Board has adopted a Risk Management policy, communicated to all staff, that includes a framework by which the WSTF's management identifies, evaluates and prioritizes risks and opportunities across the organization; develops risk mitigation strategies which balance benefits with costs; monitors the implementation of these strategies; and periodically reports to the Board on results. This process draws upon risk assessments and analysis prepared by the WSTF's management, internal audit department, external reviewers, and the external auditors.

The WSTF endeavors to manage risk by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the organization. Key practices employed in managing risks and opportunities include business environmental scans, clear policies and accountabilities, transaction approval frameworks, financial and management reporting and the monitoring of performance metrics which are designed to highlight positive or negative performance of individuals and business processes across a broad range of key performance areas.

The design and effectiveness of the risk management system and internal controls is subject to ongoing review by the WSTF's internal audit department, which is independent and reports on the results of its audits directly to the Board of Trustees through the Board's Audit Committee.

4.3 Audit of the WSTF and its operations

WSTF audits are conducted through the following approaches:

- a) Independent internal audits by the Internal Audit Department
- b) Independent external audits commissioned by WSTF in consultation with the Kenya National Audit Office (KENAO)
- c) Independent external special audits commissioned by specific Development Partners

4.3.1 Internal Audit

The Internal audit department is mandated to ensure that the inherent project, programmes and operational risks are managed effectively and efficiently. This is done through continuous review and assessment of the funding procedures and systems, review of operating systems as well as project implementation. In the year under review, the following key activities were undertaken by the Internal Audit Department in the conduct of its mandate:

The department made visits to various projects under the different programmes (Rural, Water Resources, Urban and UNICEF /WASH) with an aim of reviewing the accounting records and ascertaining whether financial procedures are complied with; determining whether management and financial systems of the PIOs were adequate for efficient and prudent use of funds; reviewing and evaluating the PIOs accounting policies and administrative controls and commenting on the usage of WSTF funds as per the approved work plans and budgets. The reports were shared with the Trust Fund's management and the PIOs audited.

The department has also been involved in capacity building of the Trust Fund's agents with the Investment department requesting it to assist in the various financial and procurement training sessions held by the Fund.

Walk through tests on the various functions at the Trust Fund office have also been carried out to check for weaknesses in the various systems at WSTF. Recommendations have been shared with the management to further improve WSTF systems and strengthen its internal controls.

Follow up of previous audit queries and in particular costs questioned by both the external and internal audits has also been a major component of the department's work.

The department has also started the process of having the Risk Management Framework revised in order to address the unique challenges faced by the WSTF under the devolved form of governance.

4.3.2 External Audit

During the year under review, WSTF commissioned the undertaking of an external audit by PwC on the various programmes under the Rural Funding system, this audit is commonly referred to as the Harmonized Projects Audit. The auditors released a draft report in February 2015, which was shared with the various stakeholders for comments. The final draft was released in March 2015 and shared with our Development Partners. Table 2.0 shows a summary of the questioned costs under the harmonized external audit for period FY2013/2014.

Table 2.0: Questioned costs under Harmonized audits FY 2013/14

Development partner	Total audited project cost	Questioned costs	Categories of Open questioned costs	
			Unsupported	Ineligible
Govt. of Sweden	97,231,056	9,331,977	9,242,849	89,128
Govt. of Finland	17,444,053.00	763,007	690,437	72,570
UNICEF-WASH	26,968,446	3,308,000	3,308,000	-
MTAP	273,817,570	4,369,700	4,076,500	293,200
Total	415,461,125	17,772,684	17,317,786	454,898

An action plan developed from the report has been the tool used by the internal audit department to measure the progress of the follow up on the matters noted and the recommendations made.(See Annex 1)

4.4 Status of Questioned Costs

Table 3.0 shows the status of outstanding audit issues under the Rural Harmonized audit, WSTF is following up the costs:

Table 3.0: Status of outstanding audit issues

ITEM	Open Questioned costs (Ksh)
Questioned costs for the year 2011	16,323,922
Questioned costs for the year 2012	8,411,067
Questioned costs for the year 2013	9,551,525
Questioned costs for the year 2014	17,772,684
Total	52,059,198

As noted in previous reports, the highest percentage of unresolved questioned costs are from Non-CPC projects whose cases are subject of various litigation procedures in the Kenyan justice system. The Trust Fund has had challenges on the matters in court and under arbitration as the process has taken longer than had been anticipated as noted below:

- Two of the cases under arbitration had been heard and are awaiting award. In these matters the arbitrator had declined to give an award as he was demanding payment which was not forthcoming from the other respondents in the matters. One case under arbitration had the report from one of WSTF's witnesses who is an engineer dismissed as he was not a registered engineer at the time of writing the report. WSTF has contracted another engineer to value the works done and submit a report to the arbitrator.
- Some of the matters in court are yet to be determined with the hearing dates set for December 2015. For one of the matters in court, the Ethics and Anti-Corruption Commission (EACC) has in its possession all the documents relating to it.

4.5 Mitigation measures

The Investment and Quality Assurance departments have also made regular visits to the various projects to check the progress, either through WSTF staff or through framework consultants. The audit department has also complimented their efforts through increased sample size of the projects audited as well as ensuring that most of the WSTF funded projects are audited at least once in their lifetime.

The department has also changed tact in the resolution of the questioned costs by developing an action plan that has emphasis on having technical evaluations done for projects that are deemed to have been completed but have queries of unsupported expenditure and value-for-money. The change is in response to unsuccessful resolution of queries through visiting of the audited projects to seek supporting documents for questioned costs. The external auditors are also assisting in the follow up of the pending costs.

5. STRATEGIC HIGHLIGHTS

During the year under review, WSTF continued to implement the strategic objectives adopted for implementation under the Strategic Plan. The following text outlines the key achievements and activities under each of the strategic objectives.

5.1 To mobilize resources nationally and internationally to enhance provision of water services

Realization of the WSTF mandate heavily depends on the sustained achievement of this objective. It is notable that during the financial year, the Fund signed the highest number of agreements, six (6) in total, all worth Ksh. 5.1 billion, bringing the total current signed agreements to Ksh. 6.4 billion. Four (4) bilateral agreements were signed with the Governments of Sweden, Finland, Germany and Denmark and two (2) multilateral agreements with the World Bank, and the European Union (EU). Rural Agreements account for Ksh. 3.6 billion of the current signed funding.

During the period under review, a total of Ksh 1.7 billion was disbursed to WSTF. The funding was received from the Governments of Kenya (counterpart funds), Sweden, Finland, Germany, Danida, EU, BMGF and IFAD. Of these, Ksh. 1 billion was received from the Rural Partners and Ksh.427 from the Government of Kenya. The rest was received from Urban Partners, KfW and BMGF.

WSTF in the reporting period submitted two new proposals for Danida Green Growth programme, and the EU Climate Proofed Infrastructure Programme. When signed as expected in the 2015/2016 financial year, the two agreements are expected to bring to the Rural Investment a further Ksh.3 billion.

5.2 To develop and apply systems that ensures proper targeting, financing, implementation and sustainability of water and sanitation projects

5.2.1 ISO 9001: 2008 Quality Management Systems

The WSTF ISO 9001: 2008 Quality Management System was certified in 2011 and expired in March 2014. During the year under review, the Fund reviewed its Quality Management System resulting in the re-certification of the Fund on 22nd June 2015 to run through up to 21st June 2018 by the Kenya Bureau of Standards following rigorous Internal Quality Audits and Independent pre-certification and certification audits.

5.2.2 Financial and Accounting System

WSTF has continued to use SAP Business 1 for accounting and financial management and reporting. This is an integrated system and WSTF during the year up-scaled its use to incorporate procurement cycles and the invoicing systems

5.2.3 Project Monitoring and Evaluation Information System

To improve effectiveness in the measurement and demonstration of the outcomes and impacts of WSTF funded interventions both for accurate and timely decision making in project management and reporting, WSTF with the kind support of the Government of Sweden through the Bridging Phase Programme has successfully completed the development of a Project Monitoring and Information System(PMIS).

5.2.4 Rural Investment Programme

The Programme is strategically aligning itself with the devolved county mechanisms to finance Rural Water Supply & Sanitation and Water Resources projects by developing systems and procedures that result in improved efficiency, effectiveness and financial accountability.

WSTF is implementing the joint Government of Finland and Sweden Programme which has provided WSTF with the opportunity to focus on synergies between Water Resources Investment and Rural Investment projects, county engagements frameworks, project sustainability, project oversight and implementing through existing legal entities. The joint GoF and GoS funded project named “Equitable access to quality water, basic sanitation and enhanced water resources management for the underserved communities in rural Kenya”, envisages an implementation approach which utilizes either existing county WSPs or well operating rural schemes as entry points in extending access to identified rural/low-income areas and water resource management.

5.3 To establish and nurture partnerships with stakeholders

Sustainable and mutual interest partnerships are core to the achievement of WSTF Objectives. During the year, WSTF held three (3) Rural Steering Committee meetings, and one joint Rural and Urban Steering Committee meeting in the fourth quarter. Several bilateral and multilateral meetings were held with the Partners during the period to discuss new programmes, progress of ongoing programmes and other pertinent issues of mutual interest like audit progress etc.

WSTF organized and carried out an annual field visit for Rural Development Partners in the Mt. Kenya region which culminated in the joint participation with Urban Partners in commissioning of Embu Result Based Aid Urban Programme.

During the year, WSTF organized and participated in several County engagement forums in order to enhance collaboration with the County Governments in financing of water and sanitation programmes. Through this engagement WSTF was able to develop an understanding with the Counties on the roles and responsibilities in ensuring the fulfillment of both County and WSTF mandates. This engagement provided much needed publicity for WSTF and familiarization with the Counties.

Key among these forums was the meeting held in December 2014 between WSTF, Development Partners and the County Governments to discuss way forward and collaboration in programme financing and implementation. The County Governments expressed their support for the work of WSTF.

The Fund participated in the Water Sector Inter-Governmental (County) Consensus building forums for the Western, Upper Eastern and South Rift Counties cluster held in Embu, Kericho and Kisumu from 27th May to 12th of June 2015. The forums which included the County Executives for Water were led by the Ministry of Water and Irrigation Services. WSTF also participated in the Second Devolution Conference in Kisumu in April 2015 through an exhibition stand and where also the CEO was one of the panelists on service delivery.

5.4 To continuously strengthen WSTF institutional Capacity and enhance staff skills for effective and efficient service delivery

Capacity development and enhancement of the human capital in any institution is key to the achievement of the corporate strategy and objectives. WSTF has committed to continually develop staff skills to address the dynamism of the project management in the water sector. This ensures that the staffs are adequately equipped to address the sector challenges.

The key training conducted during the year under review was the Internal Quality Auditors (ISO 2008:9001), Public Procurement Oversight Authority and Project Management information systems training. In addition, the members of staff participated in training and workshops in Drug and Alcohol Abuse, Accountants Conference, Records management, Tax management, Project Management professional, Resource mobilization, Secretarial management, Gender mainstreaming, Corporate

Governance Training, Internal Quality Auditors Training, Environmental Impact Assessment & Environmental Audit, Enterprise risk management and understanding & managing tender process.

5.5 Capacity Development of Implementing Agents

WSTF Rural programmes have all adopted a community based approach to implementation. These financing models are heavily community capacity reliant to its success. WSTF appreciates the capacity challenges at the community levels and has institutionalized capacity development in the projects' cycle. This is intended to assist the community to implement their projects as well enhance ownership and sustainability.

During the year under review, WSTF supported six counties of Garissa, Isiolo, Lamu, Marsabit, Tana River and Wajir in conducting County consensus building workshops. The main objective of this meeting was to meet various stakeholders under EU share and Danida (MTAP 2) to build consensus on working strategy to address the implementation of the programme. The stakeholders were drawn from water department of the counties, WRMA, MTAP county development planners, Public Health, NEMA and WSTF.

6. ANNUAL PROGRAMME PROGRESS

6.1 Rural Investment Programme Background

Since the year 2006, the Rural Investment Programme has established a transparent funding framework to provide technical and financial resources to communities in targeted locations for the development of water and sanitation services. Cumulatively, WSTF has funded 193 projects which are expected to benefit a target population of 1,127,008 people. As at the end of the year under review, a total of 186 projects had been reported as completed with an estimated population served by the completed projects of 761,523 people. The figure 2.0 shows an illustration of the CPC funding process.

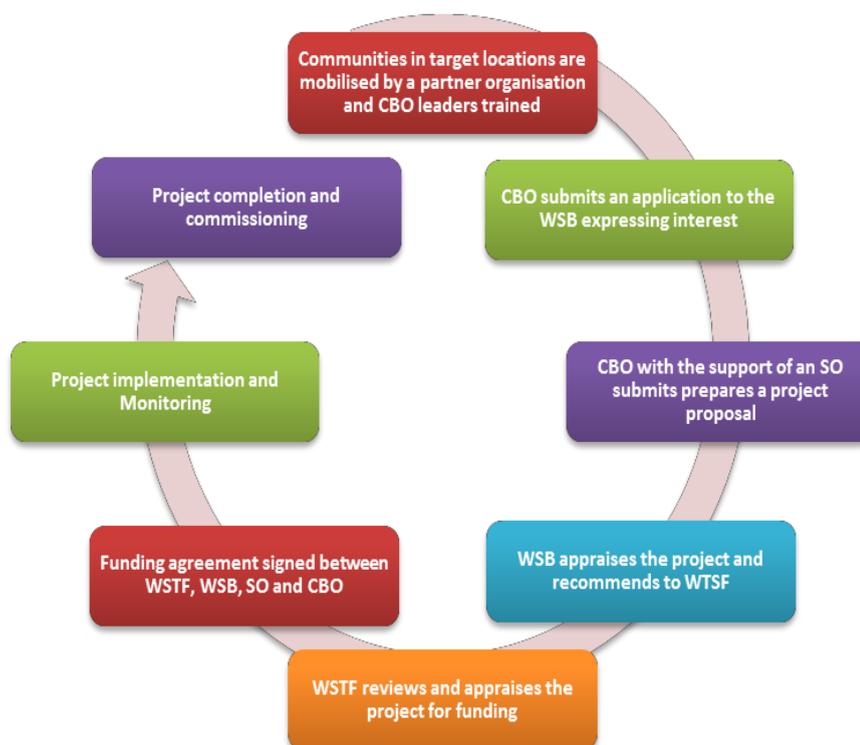


Figure 2.0: Community Project Cycle (CPC) mechanism

The Rural Programme is currently implementing the following financing agreements and Memoranda of Understanding:

- a) Government of Sweden and Government of Finland(GOF/GOS) Joint Financing Programme under the support to equitable access to quality water, basic sanitation and enhanced water resources management for the underserved communities in rural Kenya Programme which was scheduled to run from December 2014 to December 2018.
- b) Government of Denmark and EU share under the MTAP programme support scheduled to run from July 2015 to 30th June 2016.

Through the new GOF/GOS programme, the Rural Programme will adopt a new financing mechanism to replace the community project cycle in a bid to ensure county government involvement and sustainable project financing through legal entities.

6.2 Water Resources Investment Programme Background

The Water Resources Programme commenced in 2008 and is a mechanism which supports WRUAs in partnership with WRMA to manage water resources within their delineated sub catchments. To achieve this, the WSTF works hand in hand with the WRMA which is in charge of preparation and screening of the WRUA proposals before onward transmission to WSTF for funding. This investment mechanism channels water resource management resources directly to the WRUAs, particularly in areas where water resources are categorized as “alarm” status (i.e. hot spots or areas where immediate action is required). The overall concept of this mechanism is summarized in figure 3.0.

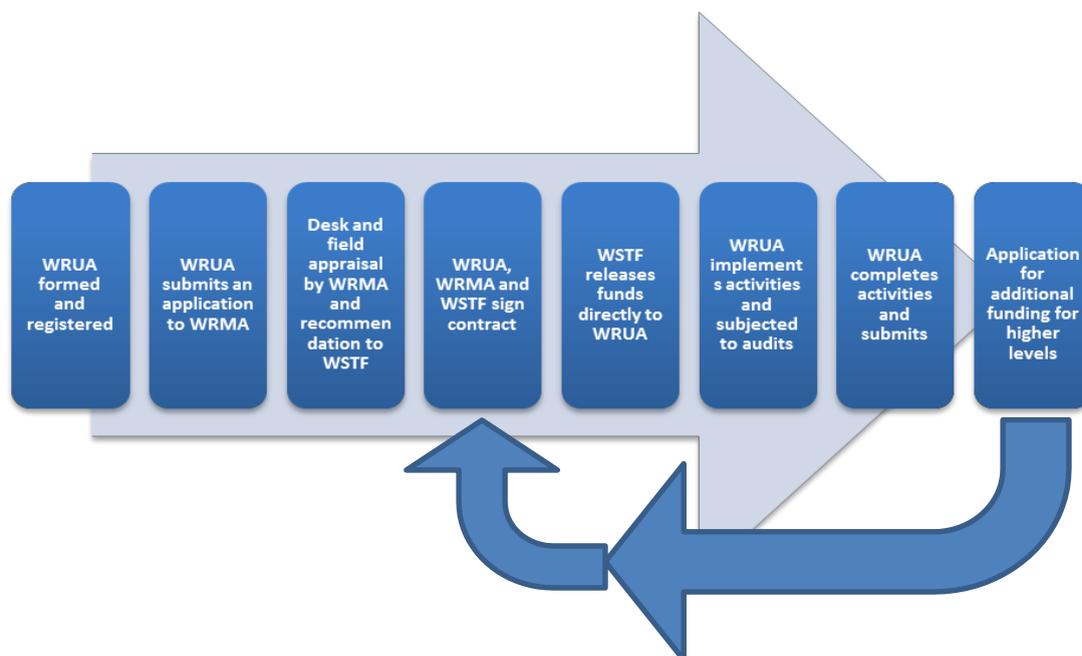


Figure 3.0: Water Resources Investment funding cycle

Some of the WRUA project benefits are:

- a) WRUAs have enhanced good quality water through mitigation against pollution of the natural water resources.
- b) Enhancement of good quality water in the natural water resources has resulted in reduction of water borne diseases.
- c) Catchment conservation through tree planting increases forest cover. (10% forest cover is the country’s vision 2030 target.)
- d) Catchment Conservation through tree planting/increased vegetation cover results in mitigation against climate change.
- e) The existence of WRUAs has reduced water use conflicts and ensured fair & equitable availability of water resources to all.
- f) Existence of WRUAs has reduced the No. of illegal abstractors along our water resources & hence increased the water permit revenue collected.
- g) The Water Resources programme has enhanced water rights awareness amongst communities as far as water access; water permits ; tariffs et cetera are concerned.
- h) The Water Resources programme has promoted public Financial Management accountability/skills within WRUAs.

6.3 Status of MTAP Phase 1 Programme

Background

The Water Services Trust Fund entered into an MOU with the then Ministry of Planning and Devolution on 7th December 2011 to provide financial support to community projects through the three thematic areas i.e the Community Project Cycle (CPC), the Water Resources User Association Development Cycle (WDC) and Small WASH Grants in six (6No.) counties of Lamu, Tana River, Garissa, Isiolo, Marsabit and Wajir. The financing agreement was signed on 7th December 2011 with an original programme period of 2 years. The programme had a no-cost extension of one year from 31st Dec. 2013 to 31st December 2014. The implementation of this program came to a close on 31st December 2014 and WSTF has prepared a Programme Completion Report. Some highlights of the completion report are as follows;

Programme Budget

Total programme budget was DKK 32 million. WSTF received Ksh. 469 million from the Programme and utilized a total of Ksh. 456,159,344. At the close of the reporting period, the Programme reported a balance of Ksh. 12,924,650.

Achievements

a) Water & sanitation status improved in 360 micro investments in schools/health facilities – (Small WASH grants projects)

All small WASH grants beneficiaries in all the six counties have finished construction and subjected the facilities to use. The general progress for SWGs in all the six counties has been commendable with all counties having achieved the targeted 60 SWGs projects that were to be funded per county. So far, 361 institutions were funded. Over 95% of funded institutions have submitted fund accountability statements (FAS) and completion certificates for project closure. Demand letters have been sent to the schools with pending FAS. Under this component, WSTF utilized a total Ksh.210,498,649 of which Ksh. 2,924,770 was used in selection of beneficiaries, Ksh. 6,574,373.20 for monitoring, trainings, and bank charges and Ksh.200,999,506 were direct disbursements to projects.

b) Community project cycle schemes implemented in 6 counties

Under CPC, all the projects successfully completed implementation of both first (1st) and second (2nd) phase activities. WSTF disbursed funds to CBOs in the programme counties in two phases. The fund has so far funded 18 CPC projects out of the target 18 projects. At the end of the programme, 17 projects were reported to have been completed and benefitting the target consumers. Under this thematic area, WSTF utilized a total Ksh.123,722,852.13 of which Ksh. 5,860,267.13 was utilized for monitoring, trainings, and bank charges and Ksh. 117,862,585 were direct disbursements to projects. Some of the challenges faced by the programme were; 1 no. project (Wenje) in Tana River is not functional due to breakdown of pumping scheme; Interference of Procurement process by community in Tana River County which led to WSTF suspending funding of two projects allocated for the County.

c) Water Resources Users Association – 18 No. Funded to develop & implement SCAMPs
Under the WDC, 18 projects were funded out of the target 18 projects despite few WSTF utilized a total Ksh.29,924,589.50 of which Ksh.3,606,907.50 was disbursed to WRMA for WRUA support, Ksh.2,271,632.00 for monitoring, trainings, and bank charges and Ksh.24,046,050 were direct disbursements to projects. Challenges faced by the WRUA projects mainly resulted from the relationship/functions between WRMA and SOs.

6.4 Progress of the MTAP Phase 2 Programme

The Water Services Trust Fund under an MOU with Government of Denmark and EU is currently supporting the 6 no. MTAP ASAL counties in implementing MTAP phase 2 activities. The progress of the programme is provided in the following sections.

6.4.1 Water Resources Investment Programme under Danida support

During the reporting period, 17 No. WRUA proposals were appraised, presented to the Board of Trustees and approved for funding. The project proposals emanated from 5 counties: Garissa, Isiolo, Lamu, Tana River and Wajir. The total project cost is Ksh 77,692,376.20, WSTF direct funding to the WRUAs is Ksh 67,558,588 and WRMA support of Ksh 10,133,788. Since the WRUA concept as well as the community level integrated water resource management practices is a relatively new concept, the need to strengthen the capacity of the WRUAs, which is part of the approach towards building a secure water resource future for Kenya cannot be overemphasized.

6.4.2 Rural investment programme under EU share support

During the reporting period, under MTAP phase 2 activities no funds were disbursed to projects due to the late signing of the addendum to the MOU. The addendum was signed in mid June 2015 and WSTF received the funds thereafter. The only activity which was conducted was the county consensus building workshops for the six MTAP2 counties.

6.4.3 County Consensus building workshops

WSTF organized and conducted 6 No. Consensus building workshops within the 6 MTAP phase 2 counties. The purpose of the workshop was to meet with the various stakeholders of the MTAP and strive to build consensus / buy-in of the objectives and strategy to address mode of operation and its activities. In addition, clarify the role of key stakeholders in the programme. The following are highlights of the workshops;

a) Technology choices

The water resources management projects, implemented through the WDC Programme will concentrate on:

- Local level storage, pans, dams, farm level storage, berkads and djabias
- Storage of groundwater by sand dams

- Promotion of water resilient livelihoods through Water Resources Users' Associations
- Promotion of improved irrigation techniques and on-farm soil and water management
- Enhanced rainwater harvesting

Water supply and sanitation programmes through CPC will be implemented alongside the Water Resource Management (WDC) in an integrated approach and will focus on:

- Borehole rehabilitation and equipping of existing sufficient yielding boreholes including pipeline extensions
- Solar powered borehole pumping systems
- Sanitation facilities and training in schools, health institutions and market centers. Facilities include gender sensitive VIP toilets, plastic storage tanks for rainwater harvesting and hand-washing facilities especially in schools; incinerators for health centres; UDDT and PSF facilities for the market centres.
- Other applicable water supply technologies like pans and dams



County consensus workshop group discussions

b) Gender Equality and Social Inclusion (GESI) mainstreaming

- The WRMA representative explained how the committees are formed and their composition which includes persons with disability.
- Culture and security were identified as hindrance for issues for women participation in projects.
- Further, processes should not only look at numbers of women in the committees but follow up on their ability to make decisions
- Political will is critical for achieving GESI and we must develop a strategy for continuous sensitization.
- Strategy for continuous sensitization is important.
- Stakeholders were urged to identify unique challenges that hinder women participation and initiate strategies that will enable women add value and participate in the implementing process despite the challenge.
- Under the rights based approach in the SCMP, there should be sensitization on attitude change and a budget to be allocated for this.

c) Project Selection

During the county consensus building workshop, the participants were informed as follows:-

- The integration of CBOs and WRUAs projects. Water supply and sanitation programmes through rural investment will be implemented alongside the Water Resource Management in an integrated approach.
- WSTF's experience of working with WRUAs within the target counties.
- The county representative were sensitized on what a WRUA is and their objectives.
- Successful WRUA proposals that will be funded under MTAP 2 were discussed in the aim of identifying areas within the sub catchment without water supply.
- Rural CBO projects will be implemented in areas where there is an existing WRUA to cater for water resource management issues e.g. pollution. They will also be implemented in most underserved areas without WRUAs but with potential to form one.

6.5 Status of the Government of Finland/Sweden Joint Financing Programme

The Governments of Kenya, Sweden & Finland under the joint financing arrangement will support implementation of Water Resources and Rural water and sanitation projects in six counties. The main objective of the programme is to support to equitable access to quality water, basic sanitation and enhanced water resources management in rural Kenya.

The financial year 2014/2015 was the startup year for the programme. WSTF embarked on a vigorous exercise of preparing a TOR on the county selection. This exercise involved consultations with key stakeholders such as WRMA, WASREB and Council of Governors.

6.5.1 County Selection

In order to achieve the WSTF Strategic objectives as outlined in the Strategic Plan for the period 2014- 2019, the Fund has identified collaboration with Counties as a critical success factor. This is meant to enhance County co-financing support, enhance management practices and create a higher degree of ownership and sustainability of the projects.

During the reporting period, WSTF developed a transparent county selection criteria majoring on the following indicators:-

- Access indicators for water and sanitation services
- Economic indicators in the select Counties
- Degradation Status of the catchment areas
- Fairness in Geographical distribution

Using the above criterion, six counties which fell under six catchment areas were selected and approved by the Council of Governors secretariat. The counties were Narok, Migori, Nandi, Kwale, Laikipia and Tharaka Nithi.

6.5.2 MOUs with County

In preparation for Counties engagement, WSTF prepared a County pre-engagement paper. The main output of this process was the WSTF/County MOU which would be signed by both parties and would address the key issues related to roles and responsibilities of Counties and WSTF, support to CRMs, working arrangements, co-financing and the terms and conditions of engagement, audit etc. The MOUs were shared with the above six counties and endorsed by all the 6 governors of the target counties. The MOUs are scheduled to be signed in the next financial year on 1st July 2015.

6.6 Progress of the Upper Tana Natural Resources Management Programme

The UTaNRMP is funded by the International Fund for Agricultural Development (IFAD). The funds are to be used to support WRUAS and Community Forest Associations (CFAs) in six counties namely, Embu, Meru, Nyeri, Tharaka Nithi, Kirinyaga, and Murang'a. The CFAs will cover the Mt. Kenya and Aberdares area.

During the report period, the following achievements were made:-

- a. Procurement of an Independent Oversight Agent.
- b. The nomination of secretariat staff from WRMA and KFS who will appraise WRUA & CFA proposals has been done and the secretariat was launched in the 2nd Quarter.
- c. WSTF has received 46 No. proposals from the secretariat; this includes 21 WRUA proposals and 25 CFA proposals within the reporting quarter.

During the reporting period, WSTF did not implement any WRUA projects under this Programme due to challenges faced with the procurement process of the Independent Oversight Agent(IOA). The Programme requested for change of approach of use of IOA to the normal WDC mechanism in order to move forward with the Upper Tana Programme.

6.7 STATUS GOK UNICEF WASH PROGRAMME

The GOK UNICEF Wash Programme was a four year programme implemented between 2008-2014 as a direct contribution to the acceleration of Millennium Development Goals and improvement of child survival rates and development in target districts as collaboration between the Governments of Kenya, Netherlands and UNICEF. WSTF has been implementing the community water component whose expected outputs by December 2014 are the development of new water sources to reach at least 1.61 million community users as well as support sustainability mechanisms for the facilities. The programme reached 967,400 people by the end of the implementation period. During the reporting period WSTF received Ksh 46,415,463 as GoK counterpart funds. Ksh 29,576,718 was disbursed to Water Services Boards to support in project implementation. The implementation of activities under this programme ended in December 2014 and WSTF has been involved in reconciling Funds Accountability Statements with the WSBs.

6.8 Rural Investment Programme Challenges

Table 4.0 Rural Programme Challenges and Recommendations

No.	ISSUES/CHALLENGES	PROPOSED WAY FORWARD
1	Programme did not realize its annual targets due to late disbursement of EU funds for MTAP phase 2 occasioned by delays in signing addendum for Rural investment programme	<ul style="list-style-type: none"> Funds received at end of year under review and will be utilized in the next financial year. Programme acquired new sources of funding through the GoK/GOS/GOF joint financing.
2	Slow fund transfer through Treasury, to MDP, to WSTF caused very significant delays at field level.	<ul style="list-style-type: none"> County Resident Monitors to monitor projects and fast track implementation Planning with local administration & security agents before undertaking monitoring and key implementation activities
3	MTAP 1 project delays due to interference of with Procurement Process in Tana River County which were not resolved forcing WSTF to suspend funding to 2 no. projects.	<ul style="list-style-type: none"> WSTF funds one extra projects in Lamu and Wajir Counties.
4	Pending FAS under UNICEF and MTAP 1	<ul style="list-style-type: none"> Demand letters to be sent to schools with pending FAS Follow ups done with WSBs to submit FAS

6.9 Water Resources Investment Programme Challenges

Table 5.0 Water Resources Programme Challenges and Recommendations

No.	Challenges	Recommendations
1	Slow implementation of the WRUA activities resulting in slow maturity of WRUAs especially from level 1 to level 2	<ul style="list-style-type: none"> WRMA to procure Support Organizations to assist WRUAs in speedy implementation of their activities.
2	The programme has inadequate funds to finance the WRUA activities. The IFAD programme activities stalled due to the procurement of the oversight agent.	<ul style="list-style-type: none"> WSTF is currently negotiating with the Development Partners to renew support to the Window. The Programme requested IFAD for change of implementing mechanism of using oversight agent to the WDC mechanism

7 MONITORING, EVALUATION AND THE RESULTS FRAMEWORK

In order to ensure that fiduciary risks are adequately identified and mitigated against, one of the key responsibilities of WSTF is to monitor and evaluate the activities as well as the achievement of specified objectives.

The Fund has seen a strategic shift in its Monitoring and Evaluation approach and during the FY under review. The mandate of the Quality Assurance Department was expanded and more focused on programme monitoring and evaluation, resulting in the renaming of the department to the Monitoring and Evaluation Department with a specialized line manager. The key focus of the department will be to provide strategic information to measure whether the Fund is cost effectively delivering against its goals and principles and how improvements can be made in the project management cycle.

This chapter highlights the key monitoring, evaluation and performance management issues and activities undertaken during the FY 2014/ 2015.

7.1 ISO 9001: 2008 Quality Management Systems

The WSTF ISO 9001: 2008 Quality Management System was certified in 2011 and expired in March 2014. During the year under review, the Fund reviewed its Quality Management System resulting in the re-certification of the Fund on 22nd June 2015 to run through up to 21st June 2018 by the Kenya Bureau of Standards following rigorous Internal Quality Audits and Independent pre-certification and certification audits.

The Fund has committed to excellence in service provision, improved customer focus and continuous improvement in processes, procedures and systems for continued suitability, effectiveness and efficiency.

7.2 Project Monitoring and Evaluation Information System

To improve effectiveness in the measurement and demonstration of the outcomes and impacts of WSTF funded interventions both for accurate and timely decision making in project management and reporting, WSTF with the kind support of the Government of Sweden through the Bridging Phase Programme has successfully completed the development of a Project Monitoring and Evaluation System (PMIS).

The Fund competitively procured the development and customization of the Management Information System from TechnoBrain LTD (Kenya) at a cost of USD. 101,714.00 for the licences, implementation and customization. This was done as per the Public Procurement and Disposal Act (2005).

The development phase of the system has been completed and the implementation phase commissioned. The system is currently under the testing mode with the go-live expected to be on 22nd August 2015. The Fund has also planned to enhance the system's Geographic

Information System's capabilities to be integrated with the planned Mapping of water utilities in the Counties in which WSTF is investing in.

During a joint Board of Trustees/ Development Partners meeting held on 16th September 2014, an agreement to consider integration of the information systems in the Fund was floated following which the Fund received a change request requirements from the PMIS developer (TechnoBrain Ltd) to provide integration between UPCIS and PMIS as agreed by WSTF Board of Trustees, Management and Development Partners. The change will require an update on the software requirement specifications document and detailed design document which is expected to significantly impact on the business and data accessing logic and it is estimated to take about 536 man hours.

Progress towards integration was put on hold due the on-going UPCIS upgrade with the implication that the change request could only be effected after the completion of UPCIS upgrade in order to encompass the new features. In addition, the PMIS was in the development mode hence effecting change requests at the point was a challenge to both developers. The integration is anticipated to be gradual with the initial integration of the Geo-spatial capabilities of all the investment windows.

7.3 Non CPC Projects Impact Assessment

The Government of Sweden supported WSTF to conduct a Non-CPC Projects Impact Assessment to inform future programme planning and particularly sustainability of community led investments. The management engaged a consultant who conducted the study and a final report was submitted during the year under review.

In total, 125 Non- CPC projects were implemented across the country. However, information on the implementation and operational status of projects was only available for 123 projects. 75% of the total projects implemented were completed and operational providing services albeit at different levels of performance. Of the total completed, 13% are not operational and therefore not delivering any service to the intended beneficiaries while 12% of were not completed with some not delivering services at all. Therefore, 25% of projects/investments are currently not rendering services as planned and require some interventions deliver service.

7.4 Value for Money Assessment of WSTF Programmes

During the year under review, the Government of Sweden supported WSTF to conduct a Value for Money Assessment of all the WSTF programmes. The Fund commissioned an independent consultant to undertake a Value for Money Study to assess the Economy, Efficiency, Effectiveness and Equity of the funding windows. The consultant submitted the Final Report in September 2014.

The Study concluded that the funding systems in the Fund were well conceptualized in the targeting system of the underserved in the Country and reached the populations that conventional systems majorly avoided.

The multipronged approach taken by WSTF to support both Water Services and Water Resources was appreciated by the Study but noted the need to enhance the synergy in operations between the different funding streams to enhance the impact of the investments.

7.4.1 Sampling Methods

The study employed a stratified sampling method which involved dividing the population into two or more relevant and significant strata based on one or a number of attributes. The first attribute was the funding level/ intensity for the four (4) Programmes.

7.4.2 Data Collection and analysis

Data was collected using survey questionnaires which were administered through interviews. There were both structured (close-ended) and unstructured questionnaires (open-ended) used to collect primary and secondary data. The consultant applied statistical methods to analyze the key indicators which were guided by the investment levels, achievement of project objectives, the operational status and intended and non-intended impacts.

7.4.3 General Findings & Recommendations

The Study concluded WSTF has established effective reporting requirements and audit controls to be adhered to by the funding programmes. There was however need to enhance the capacity of the monitoring functions in the Fund to ensure that the outputs and impacts of the investments were adequately monitored, analyzed and reported to different stakeholders.

Poor quality of the technical works in some of the funded projects was noted to ultimately affect the long-term sustainability of water projects. This was as a result of funds spent on repairs. This was noted to be as a result of poor quality control during implementation.

Sustainability of implemented projects being a critical success factor in the overall project cycle was assessed and noted that the Rural and WASH projects experienced challenges in the management of the projects. This was attributed to the short span of time taken on Capacity building during implementation and the beneficiaries are left to take charge of the projects before management skills have taken root amongst them. The exit strategy for the SOs from the community is so abrupt that a vacuum is created in guidance and leadership. It was therefore recommended that SOs stay long enough and leave the water projects when performance has normalized.

The Rural, WASH and Water Resources programme approaches emphasize on beneficiaries' involvement which if well implemented instills a sense of ownership and can lead to sustainability. In this regard, capacity building is paramount. The RIP and WRIP have their strengths in this over WASH and have achieved significantly higher level of efficiency and effectiveness.

Lack of a clear exit strategy from the projects by the Support Organizations was identified as a key risk area and adequate capacity development was required to ensure that the projects were sustained.

Most of the projects were noted to have exceeded their stipulated implementation timelines hence the need to re-evaluate the planned timelines as well as enhanced monitoring to address implementation challenges and mitigate against the delay risks.

Effectiveness

The overall effectiveness of the programmes was established by the extent to which the beneficiaries received and appreciated the water and sanitation services. From data collected, it was observed that most beneficiaries (91%) got their water from the local project that was initiated by Water Service Provider; other minor sources included private vendors and private boreholes (see Figure 4.0). The beneficiaries were concerned about the safety level of the drinking water as 59% indicated that the water was safe for drinking with 41% indicating that it was not safe. Despite the safety concern, the beneficiaries indicated that the incidences of water borne diseases reduced by a high percentage. There were however minor incidents of water borne diseases like typhoid and amoeba as indicated by the beneficiaries.

It was established that the Urban programme was the most effective as far as water and sanitation services provision was concerned while Water Resources Programme played a major role in water resources management & conservation.

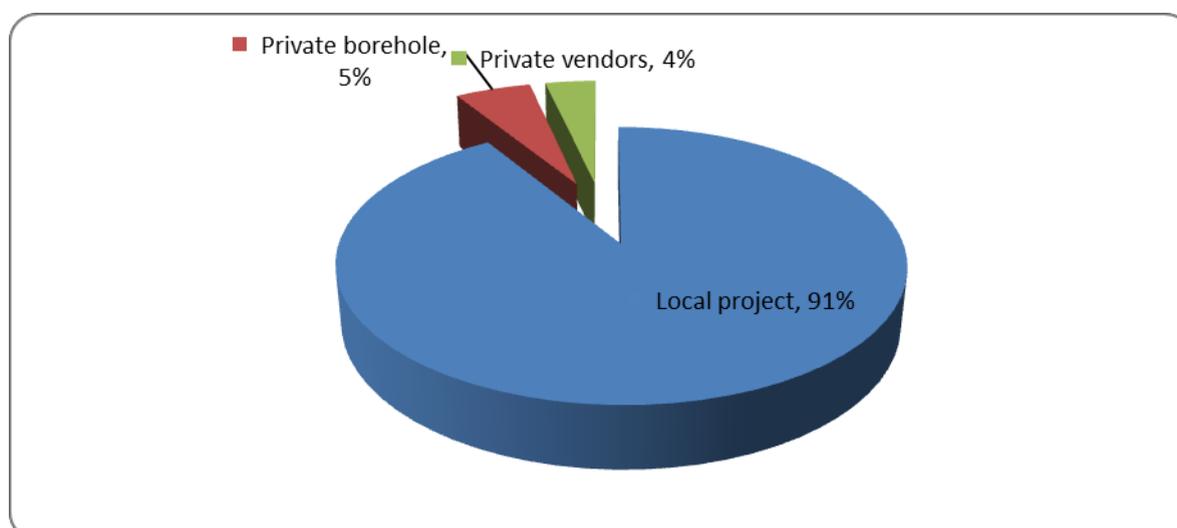


Figure 4.0: Sources of Water for Target Beneficiaries

Economy

To establish economy, funds released by WSTF for projects were tracked along the implementation process. Of major interest were prices of goods and services and quality. In this, the consultant tried to establish whether goods/contractors were competitively procured and whether they were of good quality/ competent. Quality was assessed on the basis of facilities' functionality, including need for constant repairs and replacement.

Projects under the Water Resources & Rural Programmes had the most quantifiable impact on local economy promotion since they utilized local resources (such as cedar posts, cement, sand, gabion materials and utilized local labor and contractors) to a very great extent in projects implementation. Water Resources projects also had livelihood promotion projects that were funded from external sources such as the World Bank. The Rural Programme promoted the economy indirectly in that it brought water closer to the beneficiaries hence saving them time spent in search for water thus allowing them to concentrate more on economic activities.

Beneficiaries under the UPC window were given access to clean and cheap water and sanitation facilities, hence enabling them to channel the savings to other economic activities. Before the Urban programme interventions, the beneficiaries used to pay 20-30 shillings for a 20 liter jerry can which has now reduced to 2-3 shillings.

Efficiency

To ascertain whether the projects were efficient, we computed the area coverage viz a viz the capacity of the project. Most of the Water Resources and Rural projects had wide coverage areas while the UPC projects had small coverage areas but densely populated (see figure 5.0 for a graphical representation). The WASH projects' scope of coverage could not be determined since the data was unavailable. Most of the utilities under the Rural and Urban programmes were capable of supplying >1000 liters per day. Only 3.7% of the utilities supplied less than 1000 liters of water per day but this was due to technical problems such as pump breakdowns.

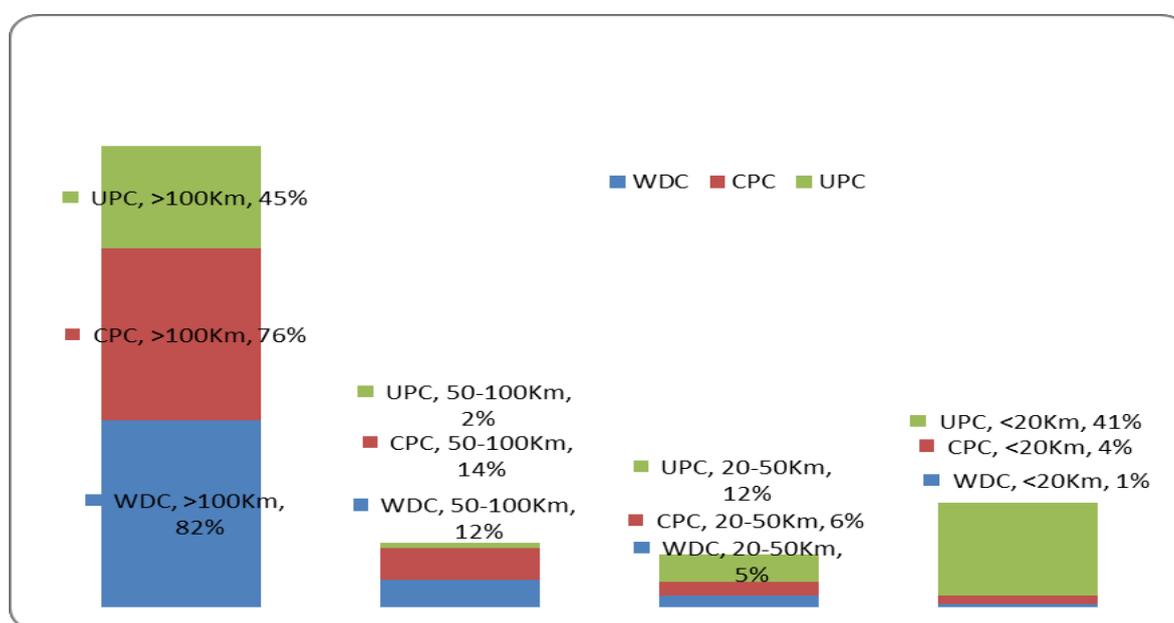


Figure 5.0: Project coverage in area

Equity

Equity was determined by the rate of representation in the boards and the facilities with the set benchmark of; youth, women and Persons with Disability being above 30%. From the analysis it was evident that the Urban programme was a good yardstick as it had 5 (five) kiosks solely run by youth and Persons with Disabilities. Water Resources programme was not well balanced as only 54% of the projects were certain that all the groups were well represented.

Rural programme had the most number of women in the committees followed by the Water Resources programme. This analysis was only based on the CBOs and WRUAs. Figure 6.0 shows the gender representation across the programmes.

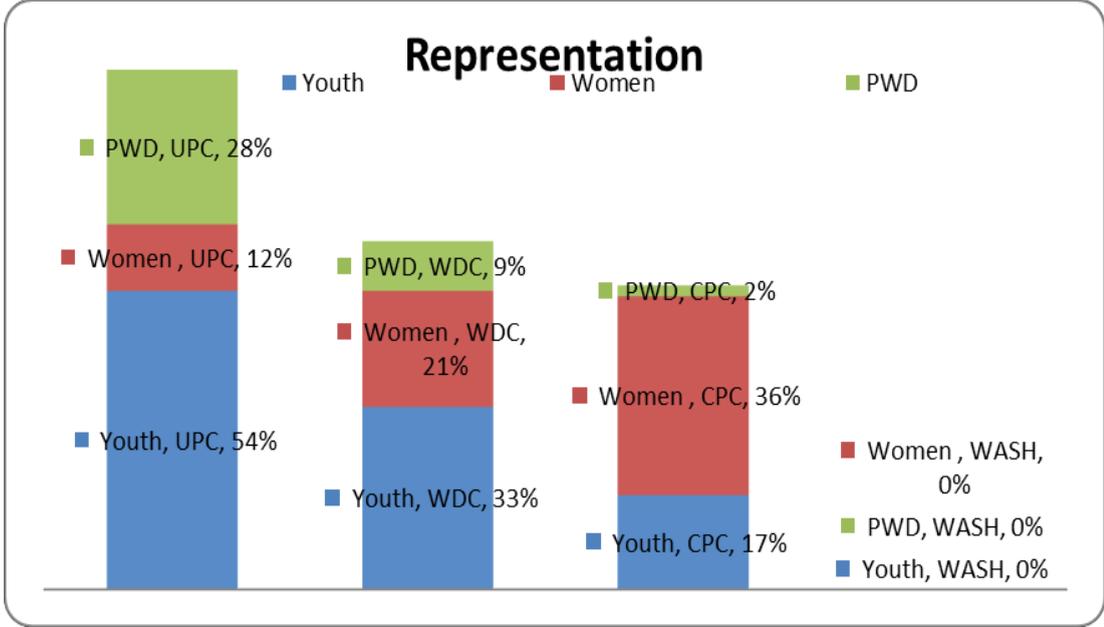


Figure 6.0: Gender equity in Projects

7.5 Results Framework

The matrix in Table 6.0 details the key achievements of the Fund's investment programmes.

Table 6.0: Result framework for all windows

Annex 1. – Logical Framework (Indicator, Means of verification, Analysis of Deviation)						
RWSS– Purpose: WSTF achieves its mandate within its RWSS and WDC “windows”						
RESULTS	INDICATOR – OVI (Objective Verifiable Indicator)	Means of Verifications	Achievement		Analyses of deviation	
2.1 To assist CBO to attain improved sustainable access to water and sanitation: (investment)						
			Achievement QTR 4	Expenditure, million KSHS		
	2.1.1	1 No. Non-CPC projects Completed	Monitoring reports, Completion Certificates	0	0	None of the Non CPC project was funded during reporting period.
	2.1.2	127 No. On-going water supply schemes implemented by CBOs are completed	Monitoring Reports, Completion Certificates	2	1.3	Two projects in Athi WSB were supported through addenda to enable them fully operate.
	2.1.3	15 no. New CPC Project Proposals funded for Implementation	Field verification reports, Appraisal reports	0	0	This activity was not budgeted for under BP.
2.2 To assist WRUAs in improved WR management (Investment)						
	2.2.1	15 WRUAs are supported in the continued preparation of their SCMPs	SCMPs submitted, Reports, WRMA database WSTF Reports	0	0	None of the WRUA was supported during the reporting period – QTR 4.
	2.2.2	15 WRUAs are supported in the implementation of their SCMPs	WSTF/WRMA/WRU A Report, Case Studies	0	-	None of the WRUA was supported during the reporting period QTR 4
2.3 Quality Control and monitoring (outsourced services)						
	2.3.1	CPC Quality control/transparency monitoring services outsourced for randomly selected RWSS Projects	Activity done through framework Field Monitoring reports	1	2.1	Field monitoring done to RWSS projects.
	2.3.2	WDC quality control/transparency monitoring outsourced for randomly selected WDC Projects	Activity done through framework Field Monitoring reports	1	0.16	
2.4 Capacity Support to Implementing Partners (National Training/Capacity Building Facility)						
	2.4.1	Capacity building for CPC implementation supported for 1,200 staff (WSB, CBOs and QCAs).	Training Reports, Register of Trained WSBs/SOs/QCA staff	6	1.9	6No. county consensus meeting held in 6 MTAP2 target counties.
2.5 Coordination, reporting, experience sharing (Case studies/Learning)						
	2.5.1	Recommendations for enhancing CPC Process implemented	Action Plans, Monitoring Reports	1	2.2	Implementation of the recommendations continued & into new programme
	2.5.2	WSTF Provides QTR reports on baseline, impact in CPC and WDC activities	Workshop Reports, Sector Performance Reports/ trends	1	0	Quarterly report has been prepared. Baseline to be done in QTR 1 of 2015/2016 FY.
	2.5.3	WDC – WRMA/WSTF Coordination Committee meets frequently, reviews WDC process with Stakeholders	Minutes of meetings, Issues and action plans	1		WRMA-WSTF have continued to consult in address emerging issues in project implementation
	2.5.4	Case Studies(CS), LL, Reviews of Systems, Value for Money (VfM)	Reports, Findings & Recommendations	1	3	To be conducted under new programme in QTR 1 of 2015/16 FY.
2.6 Audit and financial management strengthening (Audit)						
	2.6.1	Audit services	Audit Reports, Follow up Reports	1	3.4	Activity done Reporting being done

8 RURAL AND WATER RESOURCES PROGRAMME FINANCIAL REPORTS

A. GoF 4th Quarter 2014/15 Fund Accountability Statements

	RECEIPTS		Ksh.
30.06.14	GOK COUNTERPART FUNDS		6,750,000.00
	TOTAL RECEIPTS	A	6,750,000.00
	EXPENDITURE (Old GOS)		
	CBO- GOF		621,660.00
	Capacity Building		4,965.50
	Quality Control & Monitoring		532,924.00
	Audit Fees		41,426.30
	Bank Charges		2,090.00
			1,203,065.80
	Less Refunds - Corporate Governance		111,360.00
	Sub- Total	B	1,091,705.80
	EXPENDITURE (New GOS)		
Objective	WSTF Institutional Capacity		15,067,635.00
	Sub-Total	C	15,067,635.00
	Total Expenditure	B+C=D	16,159,340.80
	CASH BOOK BALANCE as at 1st April, 2015- GOF EURO		199,071,888.50
	CASH BOOK BALANCE as at 1st April, 2015- GOF KES		16,192,195.60
	TOTAL RECEIPTS	A	6,750,000.00
	LESS TOTAL EXPENDITURE	D	-
	CASH BOOK BALANCE as at 30th June, 2015- GOF KES		6,782,854.80
	CASH BOOK BALANCE as at 30th June, 2015 - GOF EURO		199,071,888.50
	TOTAL		205,854,743.30

B. GoK/GoF Fund flow statement FY 2014/2015

	RECEIPTS		Kshs.
30.06.14	GOK COUNTERPART FUNDS		6,750,000.00
	TOTAL RECEIPTS	A	6,750,000.00
	EXPENDITURE (Old GOF)		
	CBO- GOF		621,660.00
	Capacity Building		4,965.50
	Quality Control & Monitoring		532,924.00
	Audit Fees		41,426.30
	Bank Charges		2,090.00
			1,203,065.80
	Less Refunds - Corporate Governance		111,360.00
	Sub- Total	B	1,091,705.80
	EXPENDITURE (New GOF)		
Objective 5	WSTF Institutional Capacity		15,067,635.00
	Sub-Total	C	15,067,635.00
	Total Expenditure	B+C=D	16,159,340.80
	CASH BOOK BALANCE as at 1st April, 2015		16,192,195.60
	TOTAL RECEIPTS	A	6,750,000.00
	LESS TOTAL EXPENDITURE	D	(16,159,340.80)
	CASH BOOK BALANCE as at 30th June, 2015		6,782,854.80

C. GoK/GoS Fund Balance Statement for QTR 4 - 2014/15 FY

FUND ACCOUNTABILITY STATEMENT			
FOR PERIOD 1ST APRIL 2015 TO 30TH JUNE 2015			
RECEIPTS			Kshs.
30.06.14	GOK COUNTERPART FUNDS		5,600,000.00
APRIL 15-JUNE 15	INTEREST EARNED		3,157,759.15
	TOTAL RECEIPTS	A	8,757,759.15
EXPENDITURE (Old GOS)			
Objective 1	Investment in CBOs		-
Objective 2	Investment in WRUAs		-
Objective 3	Quality Control & Monitoring		192,565.00
Objective 4	Capacity Support		-
Objective 5	Co-ordination, reporting & Exp. Sharing		1,165,890.00
Objective 6	Audit & Financial Mgt		605,935.30
	Value for Money		1,140,596.00
	Project MIS		1,634,095.60
	Bank Charges		7,400.00
	Sub-Total	B	4,746,481.90
EXPENDITURE (New GOS)			
Objective 1	Counties Strategic Guidelines		1,520,810.00
Objective 2	Equitable Access to Water & Sanitation		-
Objective 3	Rural Safe Water Coverage		-
Objective 4	Rural Sanitation Coverage		-
Objective 5	WSTF Institutional Capacity		80,000.00
	Sub- Total	C	1,600,810.00
	Total Expenditure	B+C=D	6,347,291.90
CASH BOOK BALANCE as at 1st April 2015			203,005,123.44
	TOTAL RECEIPTS	A	8,757,759.15
	LESS TOTAL EXPENDITURE	D	(6,347,291.90)
CASH BOOK BALANCE as at 30th June, 2015			205,415,590.69
Reconciled Balance per Cash Book (Ledger)			205,415,590.74

D. MTAP fund accountability statements

	RECEIPTS		
27.01.15	MTAP II FUNDING		115,000,000.00
22.06.15	European Union (EU) SHARE FUNDING		140,000,000.00
JAN 15-JUNE 15	INTEREST EARNED		4,161,148.10
	TOTAL RECEIPTS	A	259,161,148.10
	EXPENDITURE		
	Capacity Building to WRUAs		1,865,693.50
JAN 15-JUNE 15	BANK CHARGES		3,926.00
	TOTAL EXPENDITURE	B	1,869,619.50
	CASH BOOK BALANCE as at 1st July, 2014		-
	TOTAL RECEIPTS	A	259,161,148.10
	LESS TOTAL EXPENDITURE	B	(1,869,619.50)
	CASH BOOK BALANCE as at 30th June, 2015		257,291,528.60

E. GoK/ UNICEF Fund Balance Statement for FY 2014/15

GOVERNMENT OF KENYA/UNICEF WASH PROGRAM		BUDGET	ACTUAL
FUND ACCOUNTABILITY STATEMENT		Kes	Kes
FOR PERIOD 1ST JULY 2014 TO 30TH JUNE 2015			
Particulars			
	Cash Book Balance - B/f 01st July 2014		3,863,567.94
	Income - Interest		
30.06.14	Interest Income		4,048.81
31.07.14	Interest Income		4,186.77
31.08.14	Interest Income		4,054.45
30.09.14	Interest Income		4,204.35
31.10.14	Interest Income		14,934.77
30.11.14	Interest Income		21,558.22
31.12.14	Interest Income		16,022.30
31.01.15	Interest Income		12,844.00
28.02.15	Interest Income		5,797.11
31.03.15	Interest Income		6,422.78
30.04.15	Interest Income		6,171.85
30.05.15	Interest Income		6,129.00
30.06.15	Interest Income		6,317.31
	Sub-total		112,691.72
	Income - Counterpart		
15.10.14	GoK Counterpart		23,207,731.50
30.06.15	GoK Counterpart		11,000,000.00
	Sub-total	46,415,463	34,207,731.50
	Grand Total	46,415,463.00	38,183,991.16
EXPENDITURES			
	PAYMENTS TO PROJECTS (CBO)/Water Service Boards/		
22.01.15	LAKE VICTORIA NORTH WATER SERVICES BOARD		-5,215,425.35
20.01.15	LAKE VICTORIA SOUTH WATER SERVICES BOARD		-3,087,621.00
16.09.14	RIFT VALLEY WATER SERVICES BOARD		28,452.00
17.11.14	TANATHI WATER SERVICES BOARD		-10,634,229.10
16.10.14	UNICEF - KCO		-32,162.20
05.01.15	PWC UNICEF PAYMENT - Audit		-128,315.70
24.03.15	PWC UNICEF - Audit		-70,014.40
14.04.15	PWC UNICEF PAYMENT - Audit		-41,426.30
	Sub-Total	- 44,094,690	- 19,180,742.05
	WSTF ADMIN FFES PAID		
30.09.14	5% paid to recurrent a/c	- 2,320,773	-2,142,040.00
	BANK CHARGES		
30.06.14	Charges on InterBank Transfers		-330.00
31.07.14	Charges on InterBank Transfers		-2,530.00
31.08.14	Charges on InterBank Transfers		-1,430.00
30.09.14	Charges on InterBank Transfers		-1,468.50
31.10.14	Charges on InterBank Transfers		-2,777.50
30.11.14	Charges on InterBank Transfers		-2,095.50
31.12.14	Charges on InterBank Transfers		-1,430.00
31.01.15	Charges on InterBank Transfers		-2,337.50
28.02.15	Charges on InterBank Transfers		-1,947.00
31.03.15	Charges on InterBank Transfers		-1,430.00
02.04.15	Charges on InterBank Transfers		-100.00
30.04.15	Charges on InterBank Transfers		-1,507.00
30.05.15	Charges on InterBank Transfers		-1,650.50
30.06.15	Charges on InterBank Transfers		-1,430.00
			- 22,463.50
	TOTAL PAYMENTS	- 46,415,463.15	- 21,345,245.55
	Fund Balance as at 30th June, 2015 (GOK Counterpart)	- 0.15	16,838,745.61
	CASH BOOK BALANCE as at 30th June, 2015		16,838,745.61

ANNEX 1: WSTF Action plan for the Harmonized Audit report for the period June 2014- PwC

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
				U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
				Questioned costs KShs	Type			
1	Itetani WRUA-Makueni	Failure to adhere to procurement procedures From our review we noted that there was no competitive selection for transportation services of a water tank for Kshs 45,000 and supply of group lunches for KShs 72,570 that were awarded to Jonathan Kilango and Patty homes respectively.	The WRUA management should liaise with the WRMA to ensure further training on procurement procedures and other salient points. The WRUA management should adhere to the procurement requirements as per the funding agreement and generally applied best practice.	117,570	VF	Training will be carried out in the next cycle of funding. WSTF considering a market survey to check whether the amounts questioned were reasonable.	WRMA/ WSTF Prog officers WSTF	31 Dec 2015
2	Ndula Water and Sanitation project-Kiambu	Over expenditure on the project without written approval The final expenditure on the project was Kshs 3,914,608 against a budget of KShs 3,267,170 representing an over expenditure of Kshs 645,437 which is 20% over budget without any evidence of approval from WSTF.	In future management should be keen on tracking the project expenditure to ensure such over expenditure does not occur.	645,437	O	The community has been advised to seek post facto approval from WSTF.	Prog. Officers	31 Dec 2015
3	Oldonyiro Secondary School-Isiolo	Missing supporting documents In our review we noted instances of insufficient supporting documents (contracts, invoices, Goods Received Notes) for expenditure amounting to Kshs 416,600.	All project documents should be obtained, filed and maintained safely by the head teacher for all project expenses. The School management committee should always ensure that the proper procurement	416,600	U	WSTF making a follow up on the missing support documents.	Prog. Officers	31 Dec 2015

Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
			U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
			procedures are followed at all times.				
	<p>Failure to adhere to procurement processes</p> <p>During the audit, we noted several instances in which the laid down procurement procedures were not followed as there was no proof of sourcing of quotations from several supplies. Below is a list of payments made without proper procurement procedure being followed.</p>	<p>All project documents should be obtained, filed and maintained safely by the head teacher for all project expenses. The School management committee should always ensure that the proper procurement procedures are followed at all times.</p>	250,000	IN	WSTF considering a market survey/ value for money audit to check whether the amounts questioned were reasonable.	Prog. Officers	31 Dec 2015
Ntalabany Primary School- Isiolo	<p>Missing supporting documents</p> <p>In our review we noted missing supporting documents for an expenditure amounting to KShs 146,600 vide cheque No. 001 paid to DPHO Isiolo for PHAST training. There were no supporting documents provided for this expenditure.</p>	<p>Management should provide the missing supporting documentation. In future, all project documents should be obtained, filed and maintained safely by the head teacher for all project expenses.</p>	146,600	U	WSTF making a follow up on the missing support documents.	Prog. Officers	31 Dec 2015
	<p>Deviation from the agreement in the use of funds</p> <p>We noted that the school moved Kshs 20,000 (100%) meant for the purchase of two 920 litre water tanks for hand washing and added the money to the purchase of the big tanks and for buying more pipes to</p>	<p>Management should ensure that every requirement in the contract is adhered to, for any deviation in expenditure over 1% a request with justification should be prepared and sent to WSTF for written approval to be given.</p>	20,000	O	The school has been advised to seek post facto approval from WSTF.	Prog. Officers	31 Dec 2015

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
				U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
				Questioned costs KShs	Type			
		be used for pumping the water from a nearby river, the school also did not install gutters on the school roofs as indicated in the contract as the funds for the gutters were used for additional pipes to get water from the river.						
4	Ngaremara Water and Sanitation Project	<p>Deviation in the use of funds and over expenditure on budget lines without written approval</p> <p>We noted that the CBO reallocated a total of Kshs 380,500 from the excavation of trenches budget lines and used the funds under procurement and installation of solar pumps, fencing of boreholes, laying distribution lines, building water kiosks, building cattle troughs and building VIP toilets budget lines which were all over spent. This is 5.34% of the total amount received from WSTF. Consequently, the following budget lines had an over utilisation of over 1% of the total project budget without any written approval from WSTF.</p>	Management should ensure that every requirement in the contract is adhered to, for any deviation in expenditure over 1% a request with justification should be prepared and send to WSTF for written approval to be given. WSTF should also ensure that all its partners are conversant with the contract requirements.	380,500	O	The community has been advised to seek post facto approval from WSTF.	Prog. Officers	31 Dec 2015
		<p>Late completion of project activities</p> <p>We noted that as per the contract between WSTF and the CBO the project activities ought to have been completed by 25 December 2013. This however did not happen as most of the activities were undertaken in 2014 after the contract end date with even one training activity</p>	The project management should ensure that in they communicate in a timely manner any challenges faced in the project implementation and ensure there is written approval from WSTF before making any changes in implementation, such as	3,056,000	IN	The community has been advised to seek post facto approval from WSTF.	Prog. Officers	31 Dec 2015

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
				U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
				Questioned costs KShs	Type			
		remaining undone by the time of the audit in December 2014. Expenses amounting to Kshs 3,056,000 were incurred after the contract end date.	extension of the project period.					
		Failure to adhere to the procurement processes During our audit, we noted that in one instance the proper procurement procedure was not followed. Mr. Ekuam Teru Lochiung was awarded a contract worth Kshs 100,000 to construct three cattle troughs without any competitive bidding taking place.	The CBO's management should always ensure that the project is in full compliance with the signed funding agreement's conditions.	100,000	VF	WSTF considering a market survey/ value for money audit to check whether the amounts questioned were reasonable.	Prog. Officers	31 Dec 2015
5	Kiwu Kitu Water Project	Missing supporting documents The expenses reported in the FAS relate to the funds disbursed and not actual cost, although the audit opinion is not affected, we noted during our review, expenditure amounting to Kshs 1,061,590 could not be supported by way of payment vouchers and receipts/invoices.	Management should ensure all payments are supported with adequate documentation.	1,061,590	U	WSTF made a follow up with the group but did not get the documents as the CBO membership claimed the documents had been sent to the SO, who gave them to the auditors. The auditors had received the documents and reviewed them but were unsatisfied and thus raised the queries.	Prog. Officers	31 Dec 2015

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
				U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
				Questioned costs KShs	Type			
						The project part of the projects to be visited by PwC Tech Auditors to resolve the matter.		
6	Masyungwa Water Project	<p>Failure to maintain supporting documentation</p> <p>During our review of the financial records of the CBO, 77% of expenditure was supported while 23% (KShs 982,479 was unsupported.</p>	Management should ensure all payments are supported with adequate documentation.	982,479	U	<p>WSTF made a follow up with the group but did not get the documents as the CBO membership claimed the documents had been sent to the SO, who gave them to the auditors.</p> <p>The auditors had received the documents and reviewed them but were unsatisfied and thus raised the queries.</p> <p>The project part of the projects to be visited by PwC Tech Auditors to resolve the matter.</p>	Prog. Officers	31 Dec 2015

Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
			U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
			Questioned costs KShs	Type			
	<p>Inadequate supporting documents</p> <p>2 PVs used to pay Kshs 24,000 paid to Musyoka Kitheka on 21 November 2013 for labour charge for digging a public latrine at Mulanguni Borehole site and Kshs 70,560 paid to Daudi Muthui on 30 December 2013 for constructing a 2 door pit latrine at Mulanguni borehole were not signed by the payees. Each of the monitoring team members who received KShs 7,500 and Kshs 36,000 paid out as allowances on 15 October 2013 and 15 November 2013 respectively should have signed a separate cash payment voucher to acknowledge receipt of payment.</p>	Management should ensure that all payments are supported by all the relevant supporting documents including receipts.	138,060	U	The project part of the projects to be visited by PwC Tech Auditors to resolve the matter.	Prog. Officers	31 Dec 2015
	<p>Failure to adhere to the payment processes</p> <p>No payment certificate was raised before payment of KShs 550,454.40 to Mutindi General Contractors Ltd. Some payments effected by the CBO were not originated by payments certificates.</p>	The SO should train the CBO officials on proper payment procedures.	550,454	U	The project part of the projects to be visited by PwC Tech Auditors to resolve the matter.	Prog. Officers	31 Dec 2015
	<p>Payments made into directors' personal accounts instead of the contracted entity</p> <p>During the review, we noted that cheque no.005 for KShs 639,000 paid through PV no.005 on 27 September 2013 was drawn in favor of Patrick Muthui Mwangangi instead of Valley Drillers Ltd's account.</p>	Management should ensure that payments are made directly to entity which has performed the service or provided the goods.	639,000	O	WSTF to confirm that the work paid for were actually done. The project part of the projects to be visited by PwC	Prog. Officers	31 Dec 2015

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment		Action by WSTF's Technical and Finance Department	Responsible	Target date
				Questioned costs KShs	Type			
						Tech Auditors to resolve the matter.		
7	Musavani Water Project	Unsupported expenditure During our review, the entire expenditure amounting to KShs 5,299,158.50 was not verified because of lack of supporting documents i.e. invoices, PVs, receipts. Only payment certificates were availed. There were no payment vouchers available for review.	Management should ensure all payments are supported with adequate documentation.	5,299,159	U	WSTF made a follow up with the group but did not get the documents as the CBO membership claimed the documents had been sent to the SO, who gave them to the auditors. The auditors had received the documents and reviewed them but were unsatisfied and thus raised the queries. The project part of the projects to be visited by PwC Tech Auditors to resolve the matter.	Prog. Officers	31 Dec 2015

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
				U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
				Questioned costs KShs	Type			
8	Muhotetu WRUA	<p>Deviation in the use of funds</p> <p>We noted that the WRUA moved Kshs 92,100 from the institutional development budget line and used the funds under Infrastructure development budget line. This is 4.84% of the total amount received from WSTF.</p>	Management should ensure that every requirement in the contract is adhered to, for any deviation in expenditure of over 1% a request with justification should be prepared and send to WSTF for written approval to be given.	92,100	IN	The community has been advised to seek post facto approval from WSTF.	Prog. Officers	31 Dec 2015
9	Ila Itune Community Water Project	<p>Final balance not refunded on a timely basis to WSTF</p> <p>The final fund balance as at 31December 2013 was KShs 6,723. This balance was not refunded to WSTF and eventually used up in bank charges.</p>	In future management should be keen to ensure any balance left at the end of the project is promptly refunded.	6,723	IN	WSTF following up on the refund of the amount from the CBO.	Prog. Officers	31 Dec 2015
		<p>Over expenditure on specific budget lines</p> <p>We noted over expenditures in the following budget lines:</p>	Management should ensure that every requirement in the contract is adhered to, for any deviation in expenditure of over 1% a request with justification should be prepared and send to WSTF for written approval to be given.	322,150	O	The community has been advised to seek post facto approval from WSTF.	Prog. Officers	31 Dec 2015
10	Nyangores WRUA Bomet	<p>Budget variations without approval of WSTF</p> <p>During our review of the financial records of the WRUA, we noted that the organization had exceeded some of the budgeted lines above the 1% allowed by the</p>	Written approval must be obtained from WSTF for any deviations above 1% to avoid suspension of future funding to the project. In addition the WRUA officials should undergo training on the preparation of budget analysis	200,348	IN	The community has been advised to seek post facto approval from WSTF.	Prog. Officers	31 Dec 2015

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
				U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
				Questioned costs KShs	Type			
		grant agreement between the CBO and WSTF.	and review of over or under expenditure.					
11	Kiserian WRUA Kajiado	Co-mingling of funds The bank account utilised for purposes of the project was the same one used for the previous project. At the start of the current project, the bank account had an overdraft opening balance of Kshs 11,905 which was then absorbed by this project as the funds were transferred into this account. Although the project has been completed, the account is still active and continues to accrue bank charges resulting in additional overdraft.	The WRUA management should ensure that co-mingling of funds does not occur. If this has to be done, there needs to be a sound system put in place that will clearly monitor the funds for each project and their balances in the account. The management should consider opening individual project accounts and ensuring they are closed immediately upon the completion of the project to avoid overdraft as a result of bank charges.	11,905	O	WSTF following up on the refund of the amount from the WRUA.	Prog. Officers	31 Dec 2015
		Missing supporting documents During our review of expenditure we noted expenditure of Kshs 27,000 for vouchers number 115, 116 and 117 recorded in the month of February 2014 for payment made to nursery attendant which were not supported by any third party documentation.	Management should ensure that all expenditure incurred is adequately supported by third party documents.	27,000	U	WSTF following up on the missing support documents.	Prog. Officers	31 Dec 2015
12	Lake Naivasha WRUA Nakuru	Failure to refund entire fund balance due to WSTF The fund balance as at 30 June 2014 was Kshs 22,709 (total funds granted of KShs	Management should refund the balance due to WSTF.	1,009	IN	WSTF following up on the refund of the amount from the WRUA.	Prog. Officers	31 Dec 2015

	Project Implementing Organization (PIO)	Issues raised	Recommendation	Questioned costs types		Action by WSTF's Technical and Finance Department	Responsible	Target date
				U= Unsupported; IN=Ineligible; VF= value for money; O=Other; VP= VAT payment				
				Questioned costs KShs	Type			
		4,286,100 less expenditure of Kshs 4,263,391.) Kshs 21,700 was refunded to WSTF by a bankers cheque dated 5 September 2014. Therefore a balance of Kshs 1,009 still remains payable to WSTF.						
1313	Tanathi Water Services Board Kitui	Unsupported expenditure The audit sample was KShs 7,224,500 that was 100% of expenditure reported. However, during the field visit, supporting documentation for 46% (Kshs 3,308,000) was provided for review. The finding however, is purely an internal control finding and does not affect the audit opinion since the opinion is based on the FAS in which expenditure is equal to the disbursements and not the costs.	The WSB management needs to ensure that all expenditure is duly supported with third party documents such as invoices and receipts as evidence of the transaction having taken place.	3,308,000	U	WSTF making a follow up on the missing support documents.	Prog. Officers	31 Dec 2015
		Total		17,772,684				