INDEPENDENT AUDITORS’ REPORT
ON A EUROPEAN COMMISSION (EC) AND
KREDITANSTALT FUER WIEDERAUFBAU (KfW)
FINANCED GRANT CONTRACT FOR EXTERNAL
ACTIONS

WATER SERVICES TRUST FUND (WSTF)

IMPROVING WATER AND SANITATION SERVICES
IN THE SETTLEMENTS OF THE URBAN POOR –
URBAN PROJECTS CONCEPT (UPC)

FOR THE PERIOD
1 JULY 2011 TO 31 DECEMBER 2011

ISSUED AUGUST 2012
GLOSSARY OF TERMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GDC</td>
<td>German Development Bank</td>
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<tr>
<td>GoK</td>
<td>Government of Kenya</td>
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<tr>
<td>GIZ</td>
<td>Gesellschaft fuer Internationale Zusammenarbeit</td>
</tr>
<tr>
<td>KfW</td>
<td>Kreditanstalt fuer Weideraufbau</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>PPDA</td>
<td>Public Procurement and Disposals Act</td>
</tr>
<tr>
<td>PPOA</td>
<td>Public Procurement Oversight Authority</td>
</tr>
<tr>
<td>PV</td>
<td>Payment Voucher</td>
</tr>
<tr>
<td>SC</td>
<td>Steering Committee</td>
</tr>
<tr>
<td>UPC</td>
<td>Urban Project Concept</td>
</tr>
<tr>
<td>WSB</td>
<td>Water Services Board</td>
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<tr>
<td>WSPs</td>
<td>Water Services Providers</td>
</tr>
<tr>
<td>WSTF</td>
<td>Water Services Trust Fund</td>
</tr>
<tr>
<td>WDC</td>
<td>Water Development Cycle</td>
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</table>
WATER SERVICES TRUST FUND – IMPROVING WATER AND SANITATION SERVICES IN THE SETTLEMENTS OF THE URBAN POOR – URBAN PROJECTS CONCEPT (UPC) FINANCIAL AUDIT REPORT FOR THE PERIOD 1 JULY 2011 TO 31 DECEMBER 2011

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1.0 INTRODUCTION

1.1 Background information

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 water services". As one of the new institutions, WSTF operates under the Ministry of Water and Irrigation and is guided by the Trust Deed of 26th April 2004.

The WSTF is a fund through which the government, through appropriations by Parliament, development partners and other organisations, channels financial assistance towards the implementation of water, sanitation and water resources projects throughout the country with special emphasis on the poor and marginalised communities.

WSTF commenced its operations in March 2005 and immediately developed the First Strategic Plan (2005-2008), which effectively guided the operations during the initial years. In the next five years (2008-2013), the WSTF targets to implement water, sanitation and water resource projects to reach a total population of 6.47 million Kenyans. The total projects are expected to cost approximately Euros 95 Million (Kshs 11.46 Billion).

Objectives of the WSTF

The objectives for which the Trust Fund was formed are as follows:

- To mobilize adequate resources nationally and internationally to enhance provision of water services.
- To develop and apply systems that ensures proper targeting, financing, implementation and sustainability of water and sanitation projects.
- To establish and nurture partnerships with stakeholders.
- To continuously strengthen the WSTF institutional capacity and enhance staff skills to ensure effective and efficient service delivery.
- To facilitate capacity building of agents to deliver on the provision of water services.

UPC Project Description

The program comprises of water supply, basic sanitation investments and support measures that accompany the technical works. It targets the urban poor population living in low income urban areas of Kenya that do not have access to safe, affordable water and basic sanitation services. The funds are channeled to licensed Water Service Providers to extend services to the underserved urban poor within their service areas through low cost technologies like kiosks, pipeline extensions, yard taps and public sanitation facilities.

The program is funded by European Commission and German Development Bank through KfW while the GIZ provides technical support through long and short term advisors. Bill and Melinda Gates foundation will also make a contribution to the project starting June 2011 to May 2016. The program makes Calls for Proposals twice a year inviting licensed Water Service Providers (WSP) to submit proposals.
1.0 INTRODUCTION (Continued)

1.1 Background Information (continued)

UPC Project Description (Continued)

The main objective of the program is to provide affordable, safe, economically and socially sustainable water and sanitation services to the urban poor. This contributes to the fast tracking of the Millennium Development Goals (MDGs).

The first work plan covered the period February 2009 to January 2010; however the work-plan was extended by 2 months, hence the first UPC year ended on the 31 March 2010. The second Year Work-plan was approved by all partners to cover the period 1 April 2010 to 30 June 2011 in order to be in line with the normal financial year for the Water Services Trust Fund. The third year work plan was approved by partners to cover the period 1 July 2011 to 30 June 2012. In accordance with the financing agreement signed between the Ministry of Finance and the European Union, twice a year the WSTF will undergo an external audit where the evidence of the correct use of funds will be submitted to the funding partners.

UPC Project Objectives

- Improvement of access to affordable and safe water to the urban poor through kiosks, yard taps, pipeline extensions or other technical options as exceptional solutions based on local conditions.
- Improvement of basic sanitation through construction of public, plot level or household sanitation facilities.
- To carry out country wide survey of all low income urban areas.
- Improvement of water supply in and to urban low income settlements through construction of water kiosks (as a standard solution), yard taps or other technical solutions depending on demand and local conditions and the extension of distribution networks.
- Improvement of basic sanitation through construction of adequate basic sanitation facilities, e.g. on-site sanitation and public sanitation (with the option of including showers), latrines or other technical solutions.
- Sensitization and involvement of the target groups, e.g. participation in selecting sites for construction works.
- Hygiene sensitization and education campaigns.
- Environmental assessment of concepts and operation of WSTF.
- If necessary, minor investment in equipment for WSTF, Water Service Providers (WSP) and stakeholders.
- Consulting services for investment implementation.

Deloitte & Touche were contracted by WSTF to perform an audit of the Urban Project Concept (UPC) - Improving Water and Sanitation Services in the Settlements of The Urban Poor for the period 1 July 2011 to 31 December 2011. The audit was to be carried out in accordance with International Standards on Auditing and the terms of reference given to Deloitte by WTSF. The project’s budget for the period 1 July 2011 to 30 June 2012 was Euro 11,536,529 (Kshs 1.39 Billion) however, the audit period is six months from 1 July 2011 to 31 December 2011) and the total funds received were Euro 394,428 (Kshs 47.58 Million) from KfW.
1.0 INTRODUCTION (Continued)

1.2 Audit objectives

The overall audit objective was to perform a financial audit of the Project in accordance with the terms of reference issued by Water Services Trust Fund (WSTF) and in line with International Standards on Auditing. The audit, accordingly, included such tests of the accounting records as deemed necessary under the circumstances. The specific objectives were to:

- Express an opinion as to whether the fund accountability statement for WSTF Urban Projects Concept (UPC) – Improving Water and Sanitation Services in the Settlements of the Urban Poor presents fairly, in all material respects, the project's revenue and expenditure for the period in conformity with the project accounting policies.

- Evaluate and obtain a sufficient understanding of WSTF Urban Projects Concept (UPC) - Improving Water and Sanitation Services in the Settlements of the Urban Poor internal controls, access control risk and identify reportable conditions, including material internal control weaknesses which relate to the management of the project funds.

- Perform tests of transactions to determine whether WSTF Urban Projects Concept (UPC) - Improving water and sanitation services in the settlements of the urban poor complied, in all material respects, with agreement terms and applicable laws and regulations. Any material instances of non-compliance and all indications of illegal acts were to be identified and reported.

1.3 Audit scope

The audit scope required us to carry out sufficient audit steps and procedures covering the activities of WSTF UPC projects funded by EU and KfW for the period 1 July 2011 to 31 December 2011. The audit scope is limited to the funds received by WSTF from EU and KfW. All other grants to WSTF were excluded from this audit. This being the third year of the work plan, the project covers 35 WSPs with a total of 77 projects. For the purposes of forming an opinion on how the funds have been utilized in the period under review, we sampled 8 WSPs with a total of 15 projects as summarized under Section 1.5 (iv) of this report.

1.4 Audit methodology

We conducted the audit in accordance with International Standards on Auditing, which place specific professional responsibilities on us in forming the audit opinion.

Fund accountability statement

Reviewed income disbursed to WSTF for the period 1 July 2011 to 31 December 2011 and agreed the amounts to confirmation received from EU and KfW.
1.0 INTRODUCTION (Continued)

1.4 Audit methodology (Continued)

**Internal controls**

Evaluated significant internal controls to obtain a sufficient understanding of the design of relevant controls, policies and procedures and whether they have been in operation during the period under review.

**Compliance**

Reviewed, assessed and reported on compliance with the terms and conditions of the agreement.

**Representation by management**

Obtained specific written representations from the management.

**Contractual Obligations**

- Appraised relevant documents such as the financing agreement between WSTF and EU and KfW as well as documents concerning rights and obligations with a view to providing a comprehensive appraisal of the programme.
- Verified compliance of programme expenditures with relevant terms of agreements as well as all the applicable rules.
- Verified compliance of the recipient with the terms and conditions of the agreement with the grantor.

**Receipts and Disbursements**

- Verified compliance with the disbursements and procurement procedures set up by WSTF.

**Implementation**

- Verified income by obtaining 100% confirmations from all the donors and agreeing the amounts received to the bank statement.
- Examined whether the expenditures are classified in accordance with the budget or the programme proposal where the latter forms part of the contract with the recipient.
- Reviewed bank statements and accounts of the recipient and other relevant books of account and assessed whether they show a complete view of the income received and expenditure incurred in accordance with generally accepted principles.
- Verified and confirmed that all commitments are genuine, within the relevant agreements disclosed within the financial records and are for the pursuance of agreed Programme objectives.
- Performed field visits on the projects being implemented.
- Verified expenditure by checking sampled amounts against supporting documentation covering at least 65% of the recorded expenditure including accuracy and completeness of records.
- Verified individual programme accounts and gave an opinion and/or advice regarding the manner they are operated.
1.0 INTRODUCTION (Continued)

1.5 Summary of audit results

A summary of our findings is presented below.

i) Audit field visit

This being the third year of the work plan, the project covers 35 WSPs with a total of 77 projects. For the purposes of forming an opinion on how the funds have been utilized, we sampled 8 WSPs with a total of 15 projects as summarized below and conducted the field visits on the same.

1) Mavoko Water Company Limited
   • Slota Sewerline Extension

2) Oloolaiser Water Services Company Limited
   • Bulbul Water Project
   • Olekasasi Water Project

3) Nakuru Water and Sewerage Company Limited
   • London-Manyani Water Network Extension
   • Free Area Water network Extension

4) Nyahururu Water and Sewerage Company Limited
   • Muthengerera Water Project

5) Ol Kalau Water Services Company Limited
   • Huruma Site & Service Water Project
   • Bankers - Vatican water Project

6) Nanyuki Water Services Company Limited
   • Nturukuma - Katheri Nkando project
   • Kangaita Kabiru Water Project
   • Temu Sewerline Extension

7) Nithi Water Services Company Limited
   • Chogoria Water Supply Augmentation
   • Karingani Water Supply Augmentation

8) Makindu Water Services Company Limited
   • Kiu Kalima Ndogo Water Project
   • Kiunduani Water Pipeline Extension

The details of our findings are included in Annex 2 of this report.
1.0 INTRODUCTION (Continued)

1.5 Summary of audit results (Continued)

ii) Report on the fund accountability statement

The total sampled and tested expenditure amounted to Euro 1,117,851 (Kshs 135 Million), which represented 51% of the total expenditure of Euro 2,180,697 (Kshs 263 Million) reported in the fund accountability statement.

The results of our tests disclosed questioned costs as detailed in the fund accountability statement amounting to Eur 7,391 (Kshs 891,672) in costs that are explicitly questioned because they are not program related, unreasonable, or prohibited by the terms of the agreements. This is further discussed in section 4.1.8 of this report.

Except for the effects of the questioned costs discussed in the preceding paragraph, we concluded that, the fund accountability statement for WSTF Urban Project Concept (UPC) - Improving Water and Sanitation Services in the Settlements of the Urban Poor presents fairly, in all material respects, the sources and uses of funds in accordance with the project accounting policies and in conformity with the grant agreement.

iii) Identify, evaluate and report on the auditee’s internal control structure

We noted certain matters involving internal control and its operation that we consider to be reportable conditions under International Standards on Auditing (ISA). These are discussed under Annex 1 of this report.

iv) Reach an opinion as to whether or not the auditee complied in all material respects with agreement terms and applicable laws and regulations.

The results of our tests disclosed instances of non-compliance as discussed in Annex 2 of this report.

1.6 Comments by grantee management

The report was discussed with the grantee’s management and their comments on the recommendations have been incorporated in this report.
2.0 STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

It is the responsibility of the management of WSTF - Urban Project Concept to prepare fund accountability statement for the period from 1 July 2011 to 31 December 2011 which give a true and fair view of the state of affairs of the project as at the end of the period and of the fund balance of the project for that period. Management are also required to ensure that the project keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the project. They are also responsible for safeguarding the assets of the project.

The management of WSTF is responsible for the preparation and fair presentation of the fund accountability statement in accordance with the basis of accounting set out on note 4.1.1 of this report and for such internal controls as management determines necessary to enable the preparation of fund accountability statement that is free from material misstatement, whether due to fraud or error.

Management accepts responsibility for the fund accountability statement, which has been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates. Management is of the opinion that the fund accountability statement gives a true and fair view of the state of the financial affairs of the project. The management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the fund accountability statement, as well as adequate systems of internal financial controls.

........................................
Chief Executive Officer

........................................
Finance Manager

2012
3.0 INDEPENDENT AUDITORS’ REPORT ON THE FUND ACCOUNTABILITY
STATEMENT TO WATER SERVICES TRUST FUND MANAGEMENT

3.1 Independent auditors’ opinion

We have audited the fund accountability statement of Water Services Trust Fund Urban Projects Concept (UPC) - improving Water and Sanitation Services in the Settlements of the Urban Poor set out on pages 12 to 17, which comprise the fund accountability statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. The fund accountability statements have been prepared by WSTF management in accordance with the basis of accounting set out on note 4.1.1.

Management’s responsibility for the fund accountability statement

The management of WSTF is responsible for the preparation and fair presentation of the fund accountability statement in accordance with the basis of accounting set out on note 4.1.1 of this report and for such internal controls as management determines necessary to enable the preparation of fund accountability statement that is free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these fund accountability statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the fund accountability statements are free from material misstatement.

Basis of opinion

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Fund Accountability Statement. The procedures selected depend on our judgment and include an assessment of the risks of material misstatement of the fund accountability statement, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the project’s preparation and fair presentation of the fund accountability statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the fund accountability statement.

We believe that our audit provides a reasonable basis for our opinion.

The results of our tests disclosed questioned costs amounting to Eur 7,391 (Kshs 891,672) as detailed in the fund accountability statement. (Refer to section 4.1.8).
3.0 INDEPENDENT AUDITORS’ REPORT ON THE FUND ACCOUNTABILITY STATEMENT (Continued)

3.1 Independent auditors’ opinion (Continued)

Opinion

In our opinion, except for the effects of the questioned costs discussed in the preceding paragraph, the fund accountability statement for Water Services Trust Fund Urban Projects Concept (UPC) - Improving Water and Sanitation Services in the Settlements of the Urban Poor, present fairly, in all material respect, the project’s income and expenditure for the period 1 July 2011 to 31 December 2011 in accordance with the basis of accounting described in notes 4.1.1 to the fund accountability statement.

This report is intended solely for the information of WSTF, EU and KfW and should not be distributed or used by other parties. However, upon release by WSTF, EU and KfW, this report is a matter of public record and its distribution is not limited.

Certified Public Accountants (Kenya)

2012

Nairobi
## 4.0 FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD 1 JULY 2011 TO 31 DECEMBER 2011

### BUDGET 1 July 2011 to 31 December 2011

<table>
<thead>
<tr>
<th>INCOME</th>
<th>ACTUAL 1 July 2011 to 31 December 2011</th>
<th>QUESTIONED COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Euros</td>
<td>Euros</td>
</tr>
<tr>
<td>Fund balance brought forward</td>
<td>-</td>
<td>3,255,080</td>
</tr>
<tr>
<td>Receipts - EU</td>
<td>5,460,376</td>
<td>-</td>
</tr>
<tr>
<td>Receipts - KfW</td>
<td>5,363,969</td>
<td>394,428</td>
</tr>
<tr>
<td>Bill and Melinda Gates Foundation</td>
<td>608,700</td>
<td>-</td>
</tr>
<tr>
<td>GIZ</td>
<td>80,244</td>
<td>-</td>
</tr>
<tr>
<td>Interest on bank balance</td>
<td>-</td>
<td>9,848</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,536,529</strong></td>
<td><strong>3,659,356</strong></td>
</tr>
</tbody>
</table>

### EXPENDITURE

#### 1.0 Pro-poor Investments

**1.1 Water Supply**

- **1.1.1 Works**
  - Actual: 1,443,387
  - Budget: 292,487

- **1.1.2 Supplies**
  - Actual: 5,495,717
  - Budget: 1,213,466

- **1.1.3 Services**
  - Actual: 1,404,174
  - Budget: 229,918

- **1.1.4 Exchange rate loss**
  - Actual: -
  - Budget: 49,432

**1.2 Household Sanitation**

- **1.2.1 Works**
  - Actual: 79,131

- **1.2.2 Supplies**
  - Actual: 383,481

- **1.2.3 Services**
  - Actual: 146,088

**1.4 Public/Community Sanitation**

- **1.4.1 Works**
  - Actual: 329,998
  - Budget: 45,483

- **1.4.2 Supplies**
  - Actual: 1,249,217
  - Budget: 128,383

- **1.4.3 Services**
  - Actual: 101,874
  - Budget: 15,024

**1.5 Other Investment Related activities**

- **1.5.2 Maji Data (Baseline) Survey**
  - Actual: 23,240

- **1.5.3 Introductory workshops and support training**
  - Actual: 60,000
  - Budget: 56,655

**Total Pro-poor Investments**

- **10,716,307**
  - **2,030,848**

**Human Resource**

- **2.1 WSTF salaries (Gross amounts)**
  - **2.1.1 Team Leader and Technical**
    - Actual: 36,854
    - Budget: 11,119
  - **2.1.2 Sociologist**
    - Actual: 27,806
    - Budget: 16,177
  - **2.1.3 Sanitation Officer**
    - Actual: 23,539
    - Budget: 6,853
  - **2.1.4 Team Accountant**
    - Actual: 27,023
    - Budget: 9,294
  - **2.1.5 Assistant Engineer**
    - Actual: 16,379
    - Budget: 5,719
  - **2.1.6 Assistant Accountant**
    - Actual: 11,138

**Total Human Resources**

- **142,759**
  - **49,162**

**Total direct Costs(1+2)**

- **10,859,066**
  - **2,080,010**
### 4.0 FUND ACCOUNTABILITY STATEMENT (Continued)
#### FOR THE PERIOD 1 JULY 2011 TO 31 DECEMBER 2011

<table>
<thead>
<tr>
<th>Related costs</th>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>3.0 Travel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 International travel</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Missions/Seminars)</td>
<td>24,400</td>
<td>9,828</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.2 Core team on missions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Sub-total Travel</strong></td>
<td>24,400</td>
<td>9,828</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.0 Office equipment, vehicles and supplies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 Purchase or rent of vehicles</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.2 Furniture (workstations and chairs)</td>
<td>500</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.3 Computer hardware</td>
<td>4,263</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.4 Computer software</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4.5 Development of WSTF MIS Software</td>
<td>10,000</td>
<td>17,798</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal office equipment, vehicles and supplies</strong></td>
<td>14,763</td>
<td>17,798</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.0 Local costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1 Vehicle costs</td>
<td>15,063</td>
<td>8,009</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.2 Consumables- office supplies</td>
<td>6,406</td>
<td>12,400</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.3 Other services (tel/fax, electricity/ heating, maintenance, insurance)</td>
<td>24,121</td>
<td>8,278</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal Local office/action costs</strong></td>
<td>45,590</td>
<td>28,687</td>
<td>-</td>
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<tr>
<td>5.4 Monitoring and Evaluation Costs</td>
<td>-</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>5.4.1 Local transportation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.4.2 Vehicle costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>5.4.3 Out of stations costs</td>
<td>13,403</td>
<td>11,804</td>
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<tr>
<td><strong>Subtotal Monitoring and evaluation costs</strong></td>
<td>13,403</td>
<td>11,804</td>
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<tr>
<td>6.0 Other Supplies and Services</td>
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<tr>
<td>6.1 Publications</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>6.2 Training, educational, studies, research</td>
<td>-</td>
<td>2,205</td>
<td>-</td>
<td>-</td>
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<tr>
<td>6.3 Auditing costs</td>
<td>52,000</td>
<td>28,682</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6.4 Evaluation costs</td>
<td>80,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6.5 Financial services (bank guarantee costs etc)</td>
<td>2,400</td>
<td>173</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6.6 Costs of conferences/seminars</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6.7 Visibility actions</td>
<td>10,000</td>
<td>1,509</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal Other costs, services</strong></td>
<td>144,400</td>
<td>32,568</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
4.0 FUND ACCOUNTABILITY STATEMENT (Continued) FOR THE PERIOD 1 JULY 2011 TO 31 DECEMBER 2011

<table>
<thead>
<tr>
<th>BUDGET</th>
<th>ACTUAL 1 July 2011 to 31 December 2011</th>
<th>QUESTIONED COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Euros</td>
<td>Euros</td>
</tr>
<tr>
<td>7.0 Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.1 Administrative fee 5%</td>
<td>255,427</td>
<td>-</td>
</tr>
<tr>
<td>7.2 Contingency</td>
<td>60,000</td>
<td>-</td>
</tr>
<tr>
<td>Subtotal other</td>
<td>315,427</td>
<td>-</td>
</tr>
<tr>
<td>Total related costs</td>
<td>557,983</td>
<td>100,686</td>
</tr>
<tr>
<td>Total eligible costs</td>
<td>11,417,049</td>
<td>2,180,696</td>
</tr>
<tr>
<td>Fund Balance</td>
<td>119,480</td>
<td>1,478,660</td>
</tr>
</tbody>
</table>

The fund accountability statement was approved by Water Services Trust Fund management on 2012 and signed on its behalf by:

Chief Executive Officer
Finance Manager
4.1 Notes to the fund accountability statement

4.1.1 Basis of accounting

The fund accountability statement is prepared on a cash receipts and disbursements basis, modified to accrue for outstanding payables and receivables.

4.1.2 Income

Income for the UPC project relates to funds received from the donors and are recognized when received.

4.1.3 Expenditure

Expenditure represents amounts disbursed and costs incurred denominated in Euro.

4.1.4 Exchange rates

Grants are recorded at the actual Euros received from donors.

For the purpose of reporting, transactions in Kenya Shillings are translated to Euros based on the average exchange rate prevailing during the periods of the transaction obtained from Info Euro website. The exchange rate used against the Kenya shillings as at the close of the period was Euro 120.643.

4.1.5 Fund balance brought forward

This relates to unspent funds brought forward from the last financial audit. The amounts agree to prior period audited financial report which covered the period 1 July 2011 to 31 December 2011.

4.1.6 Income

Amounts received from donors during the period were as follows:

<table>
<thead>
<tr>
<th>Donor</th>
<th>Amount confirmed by the donors</th>
<th>Amount recognized in current period</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>KfW</td>
<td>394,428</td>
<td>394,428</td>
<td>0</td>
</tr>
</tbody>
</table>

4.1.7 Interest income

This was interest earned in the bank during the period under review.
4.1 Notes to the fund accountability statement (continued)

4.1.8 Questioned Costs

<table>
<thead>
<tr>
<th>WSP</th>
<th>Budget Line</th>
<th>Unsupported</th>
<th>Ineligible</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Euro</td>
<td>Euro</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mavoko</td>
<td>1.1.2</td>
<td>5,851</td>
<td>VAT</td>
<td></td>
</tr>
<tr>
<td>Oloolaiser</td>
<td>1.1.2</td>
<td>1,540</td>
<td>VAT</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>7,391</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The costs are those that relate to VAT paid on construction materials for the implementation of the project contravening the conditions in the donor agreement.

4.1.9 Foreign exchange losses

The exchange losses are as a result of foreign currency fluctuations between Euros and Kenya Shilling during the year. This is because the funds are received in Euros but are recorded in Kenya Shilling. Exchange losses are book values and not physical reduction of funds.

4.1.10 Administrative costs

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct costs per the FAS</td>
<td>Eur 2,180,696</td>
<td></td>
</tr>
<tr>
<td>Administrative fees based on 5% of direct costs</td>
<td>Eur 109,035</td>
<td></td>
</tr>
<tr>
<td>Recorded administrative fees</td>
<td>Eur nil</td>
<td></td>
</tr>
<tr>
<td>Variance*</td>
<td>Eur 109,035</td>
<td></td>
</tr>
</tbody>
</table>

*The client did not recognize any administrative costs in the period as the donor requires them to incur the costs and then claim. WSTF had not made any claim on the administrative costs from KfW as at 31 December 2011.

4.1.11 Bank balance

The bank balance relates to the cash at bank as at 31 December 2011 as reconciled to WSTF bank accounts.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Amount in KShs</th>
<th>Exchange rate</th>
<th>Amount in Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>KCB KfW Ksh</td>
<td>21,378,489.05</td>
<td>120.643</td>
<td>177,205</td>
</tr>
<tr>
<td>NIC Ksh</td>
<td>19,727,614.40</td>
<td>120.643</td>
<td>163,520</td>
</tr>
<tr>
<td>KCB KfW Euro</td>
<td>47,644,799.24</td>
<td>120.643</td>
<td>394,924</td>
</tr>
<tr>
<td>NIC Euro</td>
<td>81,941.93</td>
<td>120.643</td>
<td>679</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>88,832,844.62</strong></td>
<td></td>
<td><strong>736,328</strong></td>
</tr>
</tbody>
</table>
4.1 Notes to the fund accountability statement (continued)

4.1.12 Accounts receivables from Water Service Providers (WSPs)

These are amounts disbursed to the implementing WSPs that had not been utilized as at 31 December 2011 and therefore unaccounted for as detailed in Annex 4.

4.1.13 Cash payable to WSTF main account

This relates to funds used to pay for the UPC project expenses obtained from the WSTF main recurrent account which had not been refunded as at 31 December 2011.

4.1.14 Budget period

The budget covers a period of the period 1 July 2011 to 30 June 2012. Whereas the expenditure audited covers the period 1 July 2011 to 31 December 2011.
5.0 INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROLS TO WATER SERVICES TRUST FUND MANAGEMENT

5.1 Independent auditors’ report

We have audited the fund accountability statement of Water Services Trust Fund - Urban Projects Concept (UPC) Improving Water and Sanitation Services in the Settlement of the Urban Poor for the period 1 July 2011 to 31 December 2011 and have issued our report thereon dated August 2012.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. In planning and performing our audit of WSTF –Urban Projects Concept project, we obtained an understanding of internal controls. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

The management of WSTF is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the internal control structure, policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition and that transactions are executed in accordance with management’s authorisation and recorded properly to permit the preparation of fund accountability statement in accordance with the basis of accounting described in note 4.1.1 of the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with established procedures may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.
5.0 INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROLS TO WATER SERVICES TRUST FUND MANAGEMENT (Continued)

5.1 Independent auditors’ report (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. The results of our tests disclosed instances of internal control weaknesses as summarized in section 5.2 and discussed in details under Annex 1 of this report.

This report is intended solely for the information of WSTF, EU and KfW and should not be distributed or used by other parties. However, upon release by WSTF, EU and KfW, this report is a matter of public record and its distribution is not limited.

Certified Public Accountants (Kenya)

2012

Nairobi
5.2 Summary of audit findings

The following is a summary of issues identified in the sampled Water Service Providers during the audit.

<table>
<thead>
<tr>
<th>Issues raised</th>
<th>Significance</th>
<th>Reference</th>
<th>WSP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control issues (Annex 1)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Lack of cash counts</td>
<td>Medium</td>
<td>1.1</td>
<td>Mavoko</td>
</tr>
<tr>
<td>3 Payment of 10% retention fees</td>
<td>Medium</td>
<td>2.1</td>
<td>Oloolaiser</td>
</tr>
<tr>
<td>3 Bank reconciliations</td>
<td>High</td>
<td>2.2, 3.1, 5.1</td>
<td>Oloolaiser,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nyahururu &amp;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Makindu</td>
</tr>
<tr>
<td>4 Petty cash management</td>
<td>High</td>
<td>4.1</td>
<td>Ol Kalau</td>
</tr>
<tr>
<td>5 Outdated supplier contract</td>
<td>Medium</td>
<td>4.2</td>
<td>Ol Kalau</td>
</tr>
<tr>
<td>6 Allocation of expenses</td>
<td>Medium</td>
<td>4.3</td>
<td>Ol Kalau</td>
</tr>
<tr>
<td>7 Payment before approval</td>
<td>High</td>
<td>6.2</td>
<td>Makindu</td>
</tr>
<tr>
<td><strong>Compliance issues (Annex 2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 VAT payments with project funds</td>
<td>Medium</td>
<td>1.2, 2.1</td>
<td>Mavoko &amp;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Oloolaiser</td>
</tr>
<tr>
<td>2 Inter project borrowing</td>
<td>High</td>
<td>3.1</td>
<td>Nanyuki</td>
</tr>
</tbody>
</table>
6.0 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE TO WATER SERVICES TRUST FUND MANAGEMENT

6.1 Independent auditors’ report

We have audited the fund accountability statement of Water Services Trust Fund–Urban Projects Concept (UPC) Improving Water and Sanitation Services in the Settlement of the Urban Poor for the period 1 July 2011 to 31 December 2011 and have issued our report thereon dated August 2012.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms, laws and regulations that have a director and material effect on the determination of the fund accountability statement amounts.

Compliance with agreement terms, laws and regulations applicable to the WSTF–Urban Projects Concept is the responsibility of the management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of the project’s compliance with certain provisions of agreement terms, laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the fund accountability statement.

The results of our compliance tests disclosed instances of noncompliance as discussed under annex 2 of this report.

We considered these material instances of noncompliance in forming our opinion on whether WSTF–Urban Projects Concept project's fund accountability statement is presented fairly, in all material respects, in accordance with the terms of the agreements and in conformity with the basis of accounting described in note 4.1.1 to the fund accountability statement, and this report does not affect our report on the fund accountability statement issued thereon.
This report is intended solely for the information of WSTF, EU and KfW and should not be distributed or used by other parties. However, upon release by WSTF, EU and KfW, this report is a matter of public record and its distribution is not limited.

Certified Public Accountants (Kenya)

2012

Nairobi
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td>1.0 Mavoko Water and Sewerage Company Limited</td>
<td>24</td>
</tr>
<tr>
<td>1.1 Lack of cash counts</td>
<td>24</td>
</tr>
<tr>
<td>2.1 Payment of 10% retention fees</td>
<td>25</td>
</tr>
<tr>
<td>2.2 Bank reconciliations</td>
<td>26</td>
</tr>
<tr>
<td>3.0 Nyahururu Water and Sanitation Company Limited</td>
<td>27</td>
</tr>
<tr>
<td>3.1 Bank reconciliations</td>
<td>27</td>
</tr>
<tr>
<td>4.0 Ol Kalau Water and Sanitation Company Limited</td>
<td>28</td>
</tr>
<tr>
<td>4.1 Petty cash management</td>
<td>28</td>
</tr>
<tr>
<td>4.2 Outdated supplier contract</td>
<td>29</td>
</tr>
<tr>
<td>4.3 Allocation of expenses</td>
<td>30</td>
</tr>
<tr>
<td>5.0 Makindu Water and Sanitation Services Company</td>
<td>31</td>
</tr>
<tr>
<td>5.1 Bank reconciliations</td>
<td>31</td>
</tr>
<tr>
<td>5.2 Payment before approval</td>
<td>33</td>
</tr>
</tbody>
</table>
ANNEX 1 MANAGEMENT CONTROL FINDINGS

1.0 Mavoko Water and Sewerage Company Limited

1.1 Lack of cash counts

Condition

Petty cash counts for the project funds, were not carried out either at the close of the period or during any other time in the period under review.

Criteria

A cash count by an independent officer imposes good internal controls over cash and ensures that any errors, omission or misappropriations are identified and resolved timely.

Cause

On enquiry from the project accountant, this control has been overlooked.

Effects

This could result in misuse and mismanagement of petty cash going unnoticed.

Recommendation

Management should ensure that petty cash counts are done regularly.

WSP comments

The finance manager normally confirms the petty cash at hand during reimbursement.

The WSTF has advised Mavoko Water to consider revising their manual to include regular cash counts in order to minimize the risk involved in petty cash mismanagement.
2.0 Oloolaiser Water and Sanitation Company Limited (Continued)

2.1 Payment of 10% retention fees

**Condition**

In our review of project expenses, we noted that Oloolaiser Water and Sewerage Company Limited had paid a contractor (Vetus Construction Services) an amount of Kshs. 1,620,640 for certificate number 1, without withholding 10% retention fee as advised by the project manager and as per the contract terms.

**Criteria**

As per the contract between the WSP and the contractor, clause 3.0 “All payments to the contractor should be done as per the contract, withholding a retention fee of 10%” and as per the advice on the payment certificates from the project manager.

**Cause**

On enquiry from the project accountant, this was an error and all other payments made thereafter were less the 10% retention fee.

**Effect**

Non-compliance with the terms of the contract.

**Recommendation**

All payments made to the contractor should be made as per the contract, which states that 10% retention fees is withheld until such a time when the completion certificate is issued.

**WSP comments**

The Company made payment on the basis of the total amount approved as per Engineer’s certificate Number 1. However, this anomaly was rectified on the second certificate through double retention. All the subsequent payments were subject to the 10% retention as per the contract terms.

**WSTF comments**

The WSTF financial field monitors have been instructed to closely monitor all project related transactions made by WSP to ensure accuracy.
ANNEX 1 MANAGEMENT CONTROL FINDINGS (CONTINUED)

2.0 Oloolaiser Water and Sanitation Company Limited (Continued)

2.2 Bank reconciliations

Condition

In our review of bank reconciliations we noted the following.

a) Bank reconciliations for the month of December for both the Bulbul and Olekasasi project were prepared but there was no evidence of review, by an independent person from the preparer.
b) The bank reconciliations for the month of October were prepared on the 10th of November but reviewed on the 30th of November 2011.
c) The bank reconciliations for the months of November 2011 were missing and were not availed for the audit review.

Criteria

Timely preparations and review of bank reconciliation by an officer independent of the preparer, imposes good internal controls over cash and ensures that any errors, omission or unresolved reconciling items are promptly identified and resolved.

Cause

This was due to laxity by the project staff who had been trained on financial management

Effect

Errors and omissions in the preparation of bank reconciliations may go undetected for a long period of time.

Recommendation

Bank reconciliations should be reviewed by an independent officer from the preparer, on a monthly basis. This is essential in ensuring a strong internal control structure. In addition the date the reconciliations are prepared and reviewed should be indicated.

WSP comments

The Company’s reconciliations are prepared by the accountant and reviewed by the Managing Director with dates indicated as evidenced in the monthly reports sent to WSTF and copies retained and properly filed in the Company’s appropriate files. The November 2011 bank reconciliations were however sent to WSTF but copies not filed. Copies of the reconciliations have now been filed in the Company’s relevant files.

WSTF comments

During the implementation workshops held before the start of project, WSPs are taken through the financing agreement where timely financial reporting and proper record keeping is emphasized. We also have financial field monitors who assist in capacity building at the WSP level. The WSTF has received and filed the said monthly financial reports and bank reconciliations and copies can be availed on request.
ANNEX 1 MANAGEMENT CONTROL FINDINGS (CONTINUED)

3.0 Nyahururu Water and Sanitation Company Limited

3.1 Bank reconciliations

Condition

The following bank reconciliations were not prepared on a timely manner.

<table>
<thead>
<tr>
<th>Month</th>
<th>Date Prepared</th>
<th>Date Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2011</td>
<td>21/12/2011</td>
<td>21/12/2011</td>
</tr>
<tr>
<td>December 2011</td>
<td>14/2/2012</td>
<td>15/2/2012</td>
</tr>
</tbody>
</table>

Criteria

Bank reconciliations are supposed to be prepared as at the 10th of the following month as per the financial guidelines in the contract between WSP and the WSTF.

Timely preparation of bank reconciliations imposes good internal controls over cash and ensures that any errors, omission or unresolved reconciling items are promptly identified and resolved.

Cause

Lack of adequate procedures over the review of bank reconciliations.

Effect

Errors and omissions in the preparation of bank reconciliations may go undetected for long periods of time.

Recommendation

Bank reconciliations should be prepared on a timely manner on a monthly basis. This is essential in ensuring a strong internal control structure.

WSP comments

Bank reconciliations are prepared upon receipt of the bank statements which are received no earlier than 15th every month. It is therefore not possible to prepare bank reconciliations by 10th. In the month of December 2011, we never received the statement from the bank. We were therefore forced to request a copy to enable us prepare the reconciliation.

WSTF comments

WSTF’s reporting deadline for WSPs is on 10th of every month as per the financing agreement. This has also been relayed to the WSPs in the various workshops and through the financial field monitors with the WSP being advised to seek bank statements in good time to meet the deadline. WSTF will still emphasize on the same in future forums.
4.0 Ol Kalau Water and Sanitation Company Limited

4.1 Petty cash management

**Condition**

We noted that Ol Kalau Water and Sanitation Company did not have petty cash management policy in place, and as such there were no petty cash vouchers to support expenses incurred from petty cash held in the office. In addition, cash counts were not carried out by a person independent of the person in charge of petty cash whereas there was a petty cash float at the end of the year.

**Criteria**

It is good practice, to have a policy for petty cash management that stipulates how to maintain petty cash. A petty cash book should be maintained and petty cash vouchers issued once monies are issued, that should be supported with receipts.

**Cause**

On enquiry from the respective management, there is no petty cash management policy in place.

**Effect**

There may be a possibility of misuse of petty cash by the staff handling the petty cash without being detected.

**Recommendation**

A petty cash book and petty cash vouchers should be used when dealing with petty cash. Also regular cash counts should be carried out by a person independent of the person in charge of petty cash.

**WSP comments**

a) Petty cash float held at the end of the year was as a result of unsurrendered imprest which has since been accounted for.

b) The company’s petty cash policy will be applied for the WSTF projects too. Therefore, a petty cash book and vouchers will be maintained for control purposes.

c) The Commercial Manager will be in charge of regular cash counts of petty cash.

**WSTF comments**

WSTF will follow up to ensure that the WSP implements the comments indicated above. This will be done through field monitors and spot checks by WSTF staff.
4.0 Ol Kalau Water and Sanitation Company Limited (Continued)

4.2 Outdated supplier contract

Condition

The scope of works of the Ol Kalau Water and Sanitation Company Limited projects changed from the provision of water kiosks to extension of pipeline. However the contract between Hydro Afrik (main contractor in the project) and the WSP was not updated to reflect the changes. As at the time of the field work only the old contract was availed for our review.

Criteria

As per the stipulation of the contract between WSTF and the WSP, there should be a valid contract between the WSP.

Cause

As per discussion with the CEO, things were done in haste since they were lagging behind the scheduled time for the implementation of the project.

Effect

In case of non-delivery as agreed by the contractor, the WSP may not be able to seek any legal redress as there was no valid contract between them and the contractor.

Recommendation

All works that have undergone the tendering process should have a contract between the WSP and the contractor stipulating the terms of agreement. In case of any changes, an addendum should be attached or a new contract redrafted.

WSP comments

The preparation of the addendum to contract agreement No. OLWASCO/WSTF/TND/01/2010-2011 between Olkalou Water and Sanitation Company and Hydro Afrik Enterprises is underway; awaiting signing by the contractor.

WSTF comments

WSTF has been informed that the signing of the addendum was done on 23 July 2012.
ANNEX 1 MANAGEMENT CONTROL FINDINGS (CONTINUED)

4.0 Ol Kalau Water and Sanitation Company Limited (Continued)

4.3 Allocation of expenses

**Condition**

In our review of expenses, we noted an expense that had been recorded under the wrong budget line item leading to overspending in that line. In the Vatican Bankers Project, an expense of Ksh. 1,401,523.20 (Euro 11,617) was expensed under Labour-pipeline extension. This amount ought to have been split between labour and materials since the contract awarded to Hydroafrik was a full contract for the supply of both labour and materials.

**Criteria**

Good practice on budgetary control requires that expenditure should be recorded in the proper budget lines to enable effective monitoring of actual expenditure against budget.

**Cause**

As per discussion with the project accountant this was an oversight and was to be corrected after the audit.

**Effects**

Non-compliance with accurate budget line reporting. It also becomes difficult to determine the correct level of expenditure for each budget line so to identify any budget overruns.

**Recommendation**

All expenses should be classified in the correct budget lines. Suppliers of goods and services should be requested to separate materials and labour charges on their invoices for ease of expense allocation in the financial reports.

**WSP comments**

a) It was difficult to separate cost of labour and materials incurred in pipeline extension as the contractor issued consolidated figures on the invoice.

b) The project accountant has split labour and material costs for pipeline extension by their proportion to the contract price going forward.

c) We have further requested our contractors to invoice us in line with the budget line items.

**WSTF comments**

WSTF UPC budgets are given separately for supplies and labor. However, we do recognize that most of the WSP do full contracts where all the work including the supplies and labor is done by one contractor. We will advise each WSP through our field monitors on the suitable way to allocate the contractors’ payment to labor and supplies.
ANNEX 1 MANAGEMENT CONTROL FINDINGS (CONTINUED)

5.0 Makindu Water and Sanitation Services Company

5.1 Bank reconciliations

Condition

The WSP prepares bank reconciliations in the cash book but these are neither reviewed nor approved. In addition, we noted that for the months of August, October, November and December 2011, the reconciliations were not done in the cashbook.

Criteria

Preparation and review of bank reconciliation by an independent officer imposes good internal controls over cash and ensures that any errors, omission or unresolved reconciling items are promptly identified and resolved.

Cause

Lack of adequate procedures over the review of bank reconciliations.

Effect

Errors and omissions in the preparation of bank reconciliations may go undetected for long periods of time.

Recommendation

Bank reconciliations should be prepared and reviewed by an independent officer on a monthly basis. This is essential in ensuring a strong internal control structure.

WSP Comment

Reconciliation was done on the months where the bank statement balance did not equal to the Cash book balance to show the cause of the difference. Where the bank balance was equal to the cash book balance, no reconciliation was done.

The balances for the months mentioned above were as follows:-

(A) Kiu-Kalima Ndogo Project

i. August 2011: Balance as per the bank statement KSH. 4,314,910.40
   Balance as per the cash book KSH. 4,314,910.40

ii. October 2011: Balance as per the bank statement KSH. 212,185.40
    Balance as per the cash book KSH. 212,185.40

iii. November 2011: Balance as per the bank statement KSH. 204,035.40
    Balance as per the cash book KSH. 204,035.40
5.0 Makindu Water and Sanitation Services Company (Continued)

5.1 Bank reconciliations (Continued)

WSP Comment (Continued)

iv. December 2011: Balance as per the bank statement KSH. 5,192,486.10
Balances as per the cash book KSH. 5,192,486.10

(B) Kiunduani Project

v. August 2011: Balance as per the bank statement KSH. 5,993,856.60
Balance as per the cash book KSH. 5,993,856.60

vi. October 2011: Balance as per the bank statement KSH. 2,059,610.60
Balance as per the cash book KSH. 2,059,610.60

vii. November 2011: Balance as per the bank statement KSH. 522,055.60
Balance as per the cash book KSH. 522,055.60

viii. December 2011: Balance as per the bank statement KSH. 3,789,598.00
Balance as per the cash book KSH. 3,789,598.00

Moving forward, bank reconciliations shall be reviewed by an independent officer on a monthly basis in order to strengthen our internal controls.

WSTF Comments

The WSTF wishes to confirm that the WSP has since submitted all the financial reports including the bank reconciliations and copies are available for verification. Further we have advised the WSP on the importance of preparing these regularly and keeping proper records of all transactions. This is being emphasized through our financial field monitors and spot checks by WSTF project staff.
5.0 Makindu Water and Sanitation Services Company (Continued)

5.2 Payment before approval

Condition

We noted instances where payments were done in the bank before the payment vouchers had been approved as noted below.

<table>
<thead>
<tr>
<th>Payment Voucher No.</th>
<th>Date</th>
<th>Amount Kshs</th>
<th>EFT date</th>
</tr>
</thead>
<tbody>
<tr>
<td>036</td>
<td>31/10/2011</td>
<td>1,846,488</td>
<td>28/10/11</td>
</tr>
<tr>
<td>037</td>
<td>31/10/2011</td>
<td>2,190,442</td>
<td>28/10/11</td>
</tr>
</tbody>
</table>

Criteria

As per the general stipulation applicable to all payments in the “Reporting financial and procurement procedures manual” all payments should be approved and authorized by the WSP Managing Director or any other person who is in charge of the WSP.

Cause

The accountant prepared the EFT cheques before all the approvals were done.

Effect

There is a risk that unapproved expenses may be paid for.

Recommendation

The WSP management should ensure that all the payments are properly approved before the payments are done.

WSP comments

We have noted that the said two payments which were made on the same day were approved by the Managing Director on a later date though the vouchers had been prepared on the date of payment. You will realize that the Funds Transfer Authority which was sent to the bank alongside with the RTGS forms had been duly signed by the Managing Director whose signature is mandatory. However the WSP management will ensure such incidences will not be repeated in future and that all payments will be approved by the accounting officer before payments is done, otherwise it was an oversight.

WSTF comments

WSTF will continuously follow up through filed monitors, internal auditors and programme staff to ensure that the WSPs carry out all financial transactions following the generally accepted accounting procedures and principles. During the implementation workshops, the same will be re-emphasized.
## ANNEX 2  MANAGEMENT COMPLIANCE FINDINGS

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<th>Section</th>
<th>Company</th>
<th>Pages</th>
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</thead>
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<td>1.0</td>
<td>Mavoko Water and Sewerage Company Limited</td>
<td>35</td>
</tr>
<tr>
<td>1.1</td>
<td>VAT payments with project funds</td>
<td>35</td>
</tr>
<tr>
<td>2.0</td>
<td>Ooolaiser Water and Sanitation Company Limited</td>
<td>37</td>
</tr>
<tr>
<td>2.1</td>
<td>VAT payments with project funds</td>
<td>37</td>
</tr>
<tr>
<td>3.0</td>
<td>Nanyuki Water and Sanitation Services Company</td>
<td>38</td>
</tr>
<tr>
<td>3.1</td>
<td>Inter project borrowing</td>
<td>38</td>
</tr>
</tbody>
</table>
ANNEX 2 MANAGEMENT COMPLIANCE FINDINGS

1.0 Mavoko Water and Sewerage Company Limited

1.1 VAT payments with project funds

Condition

According to the guidance provided for project implementation to the company, ‘VAT should be paid for all items as per the prevailing laws’. This guidance was in contradiction with the funding agreement between WSTF and EU/KfW which declares the UPC Project as tax exempt. Following the guidelines from WSTF, the company bore the VAT expense on the project amounting to Kshs 705,891 (Euro 5,851) as detailed below.

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Invoice</th>
<th>Date</th>
<th>VAT (Kshs)</th>
<th>VAT (Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euronet Africa Ltd</td>
<td>EAL/LOTAS/02/2011</td>
<td>7/15/2011</td>
<td>145,324.80</td>
<td>1,205</td>
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<td>Euronet Africa Ltd</td>
<td>EAL/LOTAS/03/2011</td>
<td>8/8/2011</td>
<td>80,736.00</td>
<td>669</td>
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<tr>
<td>Euronet Africa Ltd</td>
<td>EAL/LOTAS/04/2011</td>
<td>8/16/2011</td>
<td>181,541.12</td>
<td>1,505</td>
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<tr>
<td>Euronet Africa Ltd</td>
<td>EAL/LOTAS/06/2011</td>
<td>10/24/2011</td>
<td>165,321.76</td>
<td>1,370</td>
</tr>
<tr>
<td>Euronet Africa Ltd</td>
<td>EAL/LOTAS/07/2011</td>
<td>11/18/2011</td>
<td>132,967.41</td>
<td>1,102</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>705,891.09</td>
<td>5,851</td>
</tr>
</tbody>
</table>

Criteria

As per the EU general conditions Article 14.6 “taxes, including VAT, unless the beneficiary (or, where applicable, his partners) cannot reclaim and the applicable regulations authorise coverage of taxes;” are not considered as eligible costs.

Cause

As per inquiry from the respective management, this was attributed to the difficulty in obtaining VAT exemption certificates by the company from KRA and also WSTF allowed the WSP to pay VAT and then claim later.

Effect

VAT payment is in contravention to the funding agreement between WSTF and the EU and KfW regulations.

Recommendation

WSTF should liaise with the company to process VAT refunds. In future, WSTF should review the guidelines to ensure UPC funds are not subjected to VAT payments.

WSP comments

WSTF should resolve this issue and get an exemption for the projects from KRA. This will give clear guidelines on how VAT should be treated in future. Water companies are taxable and we are required to pay taxes – VAT on all our purchases, WHTs and income tax.
ANNEX 2 MANAGEMENT COMPLIANCE FINDINGS (CONTINUED)

1.0 Mavoko Water and Sewerage Company Limited (Continued)

1.1 VAT payments with project funds (Continued)

WSTF comments

Although the WSPs are taxable and required to pay all taxes including VAT, it has been established that all WSPs are zero rated on VAT (5th schedule of the Value Added Tax Act CAP 476). This means that even though the WSPs are required to pay VAT on all their taxable purchases, the WSPs can claim a refund of the VAT amount upon filing their tax returns as required by law. As per the documentation availed to WSTF, Mavoko has already filed for the refunds. WSTF is currently working on engaging a tax expert to assist in following up with claims with KRA.
2.0 Oloolaiser Water and Sanitation Company Limited

2.1 VAT payments with project funds

Condition

According to the guidance provided for project implementation to the Company, ‘VAT should be paid for all items as per the prevailing laws’. This guidance was in contradiction with the funding agreement between WSTF and EU/KfW which declares the UPC project as tax exempt. Following the guidelines from WSTF, the company bore the VAT expense on the project amounting to Kshs 185,768.97(Euro 1,540) having been paid to suppliers as detailed below

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Invoice</th>
<th>Date</th>
<th>VAT (Kshs)</th>
<th>VAT (Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polypipes</td>
<td>CRSL-1453-11</td>
<td>9/7/2011</td>
<td>185,768.97</td>
<td>1,540</td>
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</table>

Criteria

As per the EU general conditions Article 14.6 “taxes, including VAT, unless the beneficiary (or, where applicable, his partners) cannot reclaim and the applicable regulations authorise coverage of taxes;” are not considered as eligible costs

Cause

As per inquiry from the respective management, this was attributed to the difficulty in obtaining VAT exemption certificates by the company from KRA and also WSTF allowed the WSP to pay VAT and then claim later.

Effect

VAT payment is in contravention to the funding agreement between WSTF and the donors.

Recommendations

WSTF should liaise with the company to process VAT refunds. In future, WSTF should review the guidelines to ensure UPC funds are not subjected to VAT payments.

WSP comments

We concur with you. The Company is not exempted from VAT payment but zero rated, in the absence of a VAT exemption certificate it is not possible to avoid tax payment, EU/KfW conditions notwithstanding. However, the Company will liaise with WSTF to process refunds as advised.

WSTF comments

Although the WSPs are taxable and required to pay all taxes including VAT, it has been established that all WSPs are zero rated on VAT (5th schedule of the Value Added Tax Act CAP 476). This means that even though the WSPs are required to pay VAT on all their taxable purchases, the WSPs can claim a refund of the VAT amount upon filing their tax returns as required by law. WSTF is currently working on engaging a tax expert to assist the WSP in filing of VAT refunds from KRA.
ANNEX 2 MANAGEMENT COMPLIANCE FINDINGS (CONTINUED)

3.0 Nanyuki Water and Sanitation Services Company

3.1 Inter project borrowing

**Condition**

During the audit of the Temu sewerage project, we noted that the company had transferred amounts from another WSTF project, Kangaita-Kibur Water Project to be utilized in the completion of this project. Specific details are highlighted below:

<table>
<thead>
<tr>
<th>Detail of the project/organisation</th>
<th>Amount (Kshs)</th>
<th>Amount (Euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kangaita-Kibur Water project</td>
<td>244,548</td>
<td>2,060</td>
</tr>
</tbody>
</table>

However the amounts were not questioned as they were reimbursed after the period end.

**Criteria**

It is good practice to maintain and utilize the donor funds as stipulated by the agreements and the approved budget with the specific donor and any deviations from this should be authorized and agreed upon in writing to avoid conflicts and loss of funds.

The agreement between NAWASCO and Water Services Trust Fund require that funds should not be co-mingled and each project should have a separate bank account.

**Cause**

The implementing organisation (NAWASCO) had resource constraints and therefore resorted to using WSTF project funds, but the funds were subsequently reimbursed from NAWASCO account to WSTF account after the year end.

**Effect**

Using the project funds for other purposes other than the specified ones as per the agreement contravenes the terms and conditions of the donor. In addition, this is likely to compromise achievement of the objectives of the project since some of the planned activities may not be implemented due to lack of available resources.

**Recommendation**

Programme management should ensure that funds are used only for the activities specified in the budget. All borrowings from the project should be followed up and paid back immediately.

**WSP Comments**

This happened once when there was a delay in reimbursement of project funds utilized from WSTF. Subsequently a refund was made to the account once the funds were received.
ANNEX 2  MANAGEMENT CONTROL FINDINGS (CONTINUED)

3.0  Nanyuki Water and Sanitation Services Company (Continued)

3.1  Inter project borrowing (Continued)

WSTF comments

WSTF has in the past forums and in memos to the various WSPs discouraged commingling of funds for various projects. The field monitors have also been instructed to ensure that WSPs are not involved in such a practice. The same will still be emphasized in future forums with WSPs.
## CONTENTS

### ANNEX 3  FIELD VISIT REPORTS – TECHNICAL REPORT

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<td>Free Area and Kiratina Water Project</td>
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<td>4.1</td>
<td>Muthengera Water Project</td>
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<td>Huruma Site and Services Water Project</td>
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<td>6.0</td>
<td>Niti Water and Sanitation Company</td>
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<td>Karingani Water Project</td>
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<td>Nturukuma,Katheri and Nkando Water Project</td>
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<td>8.0</td>
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<td>8.1</td>
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<tr>
<td>8.2</td>
<td>Kiundani Water Project</td>
<td>84</td>
</tr>
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</table>
ANNEX 3 FIELD VISIT REPORTS

1.0 Mavoko Water and Sewerage Company Limited

1.1 Slota Sewer line Extension

1.1.1 Project Background

The Slota Sewer line extension project is located in Slota a slum in Athi River, Machakos County. One of the project objective was to increase accessibility of decent sanitation among the residents in the project area. This was to be achieved through the construction of a 2,500m of 200mm dia sewer secondary mainlines and a construction of 75No sewer manholes. The standards of hygiene and sanitation in the area were dismal with cases of flying toilets being reported. The WSP received Kshs 9,428,071 in funding from the WSTF to implement the project.

1.1.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

1.1.3 Key Findings

The Slota water project was fully completed at the time of the field visit in April 2012. 75 No. manholes and a 2,500m sewer line had been laid in Slota to increase the standards of sanitation in the area. The sewer line has been laid in such a way that they form a network around the area.

1.1.4 Project Achievements

The sewer line has reduced cases of flying toilets in the area. The bad odour that once characterized Slota was no longer there and in general the standards of hygiene had really improved in the area. In the words of one of the resident’s in Slota “the impact is good”.

1.1.5 Actual works observations

**Pipeline**

Physical verification of the pipeline was not possible as it had already been laid under the ground as at the time of the field visit.

**Manholes**

Man holes have been constructed in various parts of the project area as observed.
Figure 1: Manhole 1 at Slota

Figure 2: Manhole 2 at Slota
1.1.6 Challenges

- There were ‘funny’ toilets built along the sewer line which had to be demolished. This did not settle well with the residents. The project team had to do a lot of public relations to convince the residence that the man holes will be more beneficial to them in the long run as compared to the ‘funny’ toilets.

- After the demolition of the ‘funny’ toilets, the residence had nowhere to go and so in the morning heaps of faeces were found at the construction sites of the manholes. This has however reduced after the completion of the sewer line.

- Due to the high poverty in the area, residents are stealing pieces of metal including the covers for the manholes.
2.0 Ooolaiser Water and Sewarage Services Company Limited

2.1 Bulbul Water Project

2.1.1 Project Background

The Bulbul water project is located in Ngong’, Kajiado County. Among the project objectives were to improve accessibility to safe, reliable and affordable water services and promote poverty reduction through increased productive hours (reduced time fetching water) and reduced medical expenses through diseases occasioned by water related diseases. This was to be achieved through the construction of 8 No. water kiosks and 1,122m pipeline extension. Residents in the area rely on water resellers whose cost is high at Kshs. 10 per 20 litre and the quality of the water is unknown and inadequate, exposing the residents to exploitation and water borne diseases. The WSP received Kshs.7,730,736.50 in funding from the WSTF to implement the project.

2.1.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

2.1.3 Key Findings

The Bulbul water project was fully completed at the time of the field visit in April 2012. All the 8 water kiosks and the 1,122m pipeline extension had been constructed and were fully operational.

2.1.4 Project Achievements

The residents of Bulbul had access to safe, reliable and affordable water services i.e. the water kiosks were selling at Kshs. 2 per 20 litre as opposed to the water resellers who were selling at Kshs. 10 per 20 litre.

2.1.5 Actual works observations

Water Kiosks and a pipeline extension have been constructed in various parts of the project area as observed.
Figure 1: A water Kiosk in Bul bul

Figure 2: An operational Kiosk in Bul Bul
2.1.6 Challenges

- The lag between the time of the proposal and implementation time led to a few changes in terms of price. The prices of materials had increased, as this was the time when the Kenya shilling was losing value to the US dollar. This led to the project costing more than the budget though the additional costs were borne by the contractor, as per the contract.

- The labourers, who were also residents of the area, wanted an increase in their labour wages when they discovered that the project was being financed by the EU. This led to delays in the project as they had to convince them that they were working on a tight budget.

- There was delays in the project since sometimes the contractor was due to be paid but WSTF has not released funds to the WSP, as there is a criteria to be fulfilled before WSTF pays out the subsequent installment.
2.0 Oloolaiser Water and Sewarage Services Company Limited (Continued)

2.2 Olekasasi Water Project

2.2.1 Project Background

The Olekasasi water project is located in Ongata Rongai, Kajiado County. Among the project objectives were to improve accessibility to safe, reliable and affordable water services and promote poverty reduction through increased productive hours (reduced time fetching water) and reduced medical expenses through diseases occasioned by water related diseases. This was to be achieved through the construction of 5 no. water kiosks, 6,500m pipeline extension and installation of 2 no. overhead plastic tanks of 16 and 10 meters cubic. Residents in the area rely on water resellers whose cost is high at Kshs. 10 per 20 litre and the quality of the water is unknown and inadequate, exposing the residents to exploitation and water borne diseases. The WSP received Kshs. 5,931,266 in funding from the WSTF to implement the project.

2.2.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

2.2.3 Key Findings

The Olekasasi water project was 98% completed at the time of the field visit in April 2012 with the 5 water kiosks and the 6,500m pipeline extension fully completed and operational in the project area. The only thing remaining was the installation of the two plastic tanks. This was because one of the pulley lines used for the tank installation got spoilt while trying to install the tanks. The pulley rope that cut had not been replaced by the time of the field visit and the Project Manager was following up.

2.2.4 Project Achievements

The residents of Olekasasi l had access to safe, reliable and affordable water services i.e. the water kiosks were selling at Kshs. 2 per 20 litre as opposed to the water resellers who were selling at Kshs. 10 per 20 litre.

2.2.5 Actual works observations

Water kiosks and a pipeline extension have been constructed in various parts of the project area as observed. Two plastic water tanks have been bought as shown below:
Figure 1: Water Kiosk 1 at Olekasasi

Figure 2: Water Kiosk 2 at Olekasasi
Challenges

- The lag between the time of the proposal and implementation time led to a few changes in terms of price. The prices of materials had increased, as this was the time when the Kenya shilling was losing value to the US dollar. This led to the project costing more than the budget though the additional costs were borne by the contractor, as per the contract.

- The laborers, who were also residents of the area, once they discovered that the project was being financed by the EU, wanted an increase in their labor wages. This led to delays in the project as they had to convince them that they were working on a tight budget.

- There was delays in the project since sometimes the contractor was due to be paid but WSTF has not released funds to the WSP, as there is a criteria to be fulfilled before WSTF pays out the subsequent installment.
3.0 Nakuru Water and Sanitation Company

3.1 Free Area and Kiratina Water Project

3.1.1 Project Background

The Free area and Kiratina water project is located in Nakuru, Nakuru County. Among the project objectives were to improve accessibility to safe, reliable and affordable water services and promote poverty reduction through increased productive hours (reduced time fetching water) and reduced medical expenses through diseases occasioned by water related diseases. This was to be achieved through the construction of 20 no. yard taps and 35,000m pipeline extension. Residents in the area rely on water resellers whose cost is high at Kshs. 20 per 20 litre and the quality of the water is unknown and inadequate, exposing the residents to exploitation and water borne diseases. The WSP received 14,346,150.60 Kshs. in funding from the WSTF to implement the project.

3.1.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

3.1.3 Key Findings

The Free area and Kiratina water project was fully completed at the time of the field visit in April 2012. All the 20 yard taps and the 35,000m pipeline extension had been constructed. Some of the taps visited in Kiratina were not yet operational as the landlords still had pending water bills. One of the conditions to be adhered by the landlords whose compounds were being fitted with the yard taps, was to have cleared all the past pending water bills with the WSPs and have a history of paying their water bills consistently and punctually.

3.1.4 Achievements

The residents of Free area and Kiratina had access to safe, reliable and affordable water services. Most of the homesteads had access to yard taps.

3.1.5 Actual works observations

Yard taps and a pipeline extension have been constructed in various parts of the project area as observed.
Figure 1: Yard tap at Keratina

Figure 2: Yard tap at Free Area
3.1.6 Challenges

The project ran very smoothly as Nakuru Water and Sanitation Company Limited had learnt from the WSTF projects in the first call which they under went so many hurdles in implementing the project.

While doing the Free area and Kiratina Water Project, NAWASCO was very careful not to repeat the mistaKsh from the previous projects by avoiding political conflicts which characterized the projects in the first call.

Figure 3: Incomplete yard tap as the land lord has not completed paying pending water bills.
3.0 Nakuru Water and Sanitation Company (Continued)

3.2 London/Manyani Water Project

3.2.1 Project Background

The London/Manyani water project is located in Nakuru, Nakuru County. Among the project objectives were to improve accessibility to safe, reliable and affordable water services and promote poverty reduction through increased productive hours (reduced time fetching water) and reduced medical expenses through diseases occasioned by water related diseases. This was to be achieved through the construction of 40 no. insitu yard taps and 29,676m pipeline extension. Residents in the area rely on water resellers whose cost is high at Kshs. 20 per 20 litre and the quality of the water is unknown and inadequate, exposing the residents to exploitation and water borne diseases. The WSP received 10,972,614.60 Kshs. in funding from the WSTF to implement the project.

3.2.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

3.2.3 Key Findings

The London/Manyani water project was fully completed at the time of the field visit in April 2012. All the 40 insitu yard taps and the 29,676m pipeline extension had been constructed.

3.2.4 Project Achievements

The residents of London/Manyani have access to safe, reliable and affordable water services. Most of the homesteads have access to yard taps.

3.2.5 Actual works observations

Yard taps and a pipeline extension have been constructed in various parts of the project area as observed.
Figure 1: Yard tap with padlock to control usage.

Figure 2: Yard tap at London
3.2.6 Challenges

The London area is very rocky and this brought about challenges when it came to excavation. A lot of time was spent in the area excavating since they had to dig a depth of about 3 feet in order to lay the pipes. This required a lot of machinery and man power.
4.0 Nyahururu Water and Sanitation Company

4.1 Muthengera Water Project

4.1.1 Project Background

The Muthengera water project is located in Nyahururu, Laikipia County. Among the project objectives were to provide clean water in the project area. This was to be achieved through the construction of 150 meter cubic masonry storage tank, 5 water kiosks and 7,000m pipeline extension. Residents in the area who mainly comprise of peasants who were displaced from the nearby forest rely on water supply from the dams, springs and wells that are polluted since there is no formal water supply. The WSP received 7,337,646.90 Kshs. in funding from the WSTF to implement the project.

4.1.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

4.1.3 Key Findings

The Muthengera water project was fully completed at the time of the field visit in April 2012. All the 5 water kiosks, 150 meter cubic masonry storage tank and 7,000m pipeline extension had been constructed. We noted that the kiosks had not been painted but the project manager was following up.

The inside walls, doors and windows have been painted as factored in the BoQ. The WSP has planned to paint the external surfaces of the columns as well. The WSP has also requested WSTF to provide the necessary logos to be affixed in all the 5No. kiosks and the masonry tank already completed.

4.1.4 Project Achievements

The residents of Muthengera had access to safe, reliable and clean water.

4.1.5 Actual works observations

Water Kiosks, a masonry storage tank and a pipeline extension have been constructed in various parts of the project area as observed.
Figure 1: Water Kiosk 1 at Muthengerera

Figure 2: Water Kiosk 2 at Muthengerera
4.1.6 Challenges

The residents in Muthengera were not very receptive of the fact that they were going to pay for the water as they still harbored the notion that water should be free from nature. This was very challenging to try and convince them that they were providing clean water unlike the water they harvested from the dams which was polluted and could lead to water borne diseases. The residents had held the perception that they were to be supplied with water at a subsidized rate. In this regard, the company has decided to waive all the fees charged to kiosk operators save for deposit of ksh 2000 that is refundable on termination of the contract. The company has also held several sensitization meetings on the ground and at chief’s barazas that have been successful in all aspects.
5.0 Ol Kalau Water and Sanitation Company

5.1 Huruma Site and Services Water Project

5.1.1 Project Background

The Huruma Site and Services water project is located in Ol Kalau, Nyandarua County. Among the project objectives were to provide sufficient, clean and affordable water to the residents in the project area. This was to be achieved through the construction of 1 water kiosks and 7,883m pipeline extension. Residents in the area rely on water from water resellers, carts/bicycle and rain water harvesting which are not protected and hence the water is not safe for usage. The WSP received Kshs 5,219,065.60 in funding from the WSTF to implement the project.

5.1.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

5.1.3 Key Findings

The Huruma Site and Services water project was 70% complete at the time of the field visit on 4th May, 2012. The water kiosk was being finalized and 7,883m pipeline extension was almost done.

5.1.4 Project Achievements

The project was not yet operational and thus its effects have not yet been felt by the residents.

5.1.5 Actual works observations

A water Kiosk and a pipeline extension have been constructed in various parts of the project area as observed.
Figure 1: Water Kiosk at Huruma
5.1.6 Challenges

- Ol Kalau Water Company encountered a lot of challenges when it came to procurement. During the open tender system most contractors had quoted prices which were higher than the approved budget. Others had quoted way too low raising questions on the quality of their works.

- On choosing on a contractor whose price was still high but his credentials were up to standards, the contractor wanted to be paid 100% upfront before he could commence on the implementation of the project. This was not possible as WSTF disburses funds in three stages and before disbursement the WSP must have fulfilled certain conditions.

- Due to the above challenges, Ol Kalau Water Company decided to change the scope of work which brought about delays as contractors had to tender afresh and the selection started all over again.

- The contractor selected to do the pipeline was new in doing WSTF projects and this brought challenges as he had to redo most works so as to meet WSTF standards.

- On changing the scope of work, Ol Kalau Water Company reduced the number of kiosks to increase pipeline extension. This resulted in the pipeline passing across the main tarmac road. For this to happen, Ol Kalau Water Company requires a letter from KENHA granting them permission to pass a pipe across the road. This approval has taken time to be obtained and at the time of audit, they had not yet been granted the necessary permission causing delays in the project completion.
5.0 Ol Kalau Water and Sanitation Company

5.2 Bankers Vatican Water Project

5.2.1 Project Background

The Bankers Vatican water project is located in Ol Kalau, Nyandarua County. Among the project objectives were to provide sufficient, clean and affordable water to the residents in the project area. This was to be achieved through the construction of a 135 meter cubic masonry water tank and 9,260m pipeline extension. Residents in the area rely on water from water resellers, carts/bicycle and rain water harvesting which are not protected and hence the water is not safe for usage. The WSP received Ksh. 6,196,976.40 in funding from the WSTF to implement the project.

5.2.2 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

5.2.3 Key Findings

The Bankers Vatican water project was fully complete at the time of the field visit in April 2012. The masonry tank and 9,260m pipeline extension was fully complete and operational.

5.2.4 Project Achievements

The residents of Bankers Vatican are now enjoying clean and affordable water services.

5.2.5 Actual works observations

A 135 meter cubic masonry water tank and a pipeline extension have been constructed in various parts of the project area as observed.
WATER SERVICES TRUST FUND – IMPROVING WATER AND SANITATION SERVICES IN THE SETTLEMENTS OF THE URBAN POOR – URBAN PROJECTS CONCEPT (UPC) FINANCIAL AUDIT REPORT FOR THE PERIOD 1 JULY 2011 TO 31 DECEMBER 2011

Figure 1: Masonry at Vatican Bankers

Figure 2: Masonry at Vatican Bankers
5.2.6 Challenges

- Ol Kalau Water Company encountered a lot of challenges when it came to procurement. During the open tender system most contractors had quoted prices way too high than the expected quotation. Others had quoted way too low raising questions on the quality of their job.

- On choosing on a contractor whose price was still high but his credentials were up to standards, the contractor wanted to be paid 100% upfront before he could commence on the project implementation. This was not possible as WSTF disburses funds in three stages and before disbursement the WSP must have fulfilled certain conditions.

- Due to the above challenges, Ol Kalau Water Company decided to change the scope of work which brought about delays as contractors had to tender a fresh and the selection had to start afresh all over again.

- The contractor selected to do the pipeline was new in doing WSTF projects and this brought challenges as he had to redo most things so as to meet WSTF standards.
5.0 Nanyuki Water and Sewerage Company

5.1 Temu Sewerage Project

6.1.1 Project Background

This water project was initiated in the year 2011. The project was implemented by Nanyuki Water and Sewerage Company Limited (NAWASCO) which is the main water and sewerage services provider in Nanyuki Town.

The company is managed by a management team consisting of the Managing Director, Commercial Manager, Technical Manager and Accountant. The management team is supervised by a board of directors, which by all means and measures, adheres to recommended corporate governance structures. It has subcommittees of Internal Audit, Finance and Administration and Technical Committee.

The total project funding amounted to Ksh 9,547,147.

6.1.2 Project Data

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6.1.3 Project Objectives

a) To increase access to conventional sewerage system in the project area.

b) To accelerate achievement of sanitation related Millennium development goals in Nanyuki Municipality.

c) To reduce environmental risk haphazard posed by pollution of Nanyuki rivers and general environment by raw sewer.

6.1.4 Project Scope

Sewerline extension by 2,325 meters

Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.
6.1.5 Field visit observations

*Sewerline extension by 2,325 meters*

A total length of 2,325 m, 8” uPVC heavy duty was laid. The sewer line runs along the Nanyuki-Nyeri Road. It connects the newly constructed Public sanitation facility to the old sewer line. Manholes have been spaced appropriately at 50m facilitating ease of individual connections.

![Figure 1: A typical man hole along the sewerline installed under this project](image1)

*Figure 1: A typical man hole along the sewerline installed under this project*

![Figure 2: Close up view of a typical man hole along the sewerline installed under this project](image2)

*Figure 2: Close up view of a typical man hole along the sewerline installed under this project*

**Comments**

- The sewer line is operational. The quality of the works is satisfactory.
- The community responded positively to the project. As such 86% of the community living around the project is now connected to the sewerline.

6.1.6 Challenges

Construction works were delayed for a significant amount of time due to;

- Initial opposition from the Water Resource Management Authority (WRMA) and National Environment Management Authority (NEMA).
- Delays caused by amount of time used draining and removal of septic tanks installed along the sewerage pipeline.
- Delays in disbursement of funds from the WSTF which slowed down the implementation of the project.
- Delays partly due to changes in routing due to obstacles along the initial route.
5.0 Nanyuki Water and Sewerage Company

6.2 Kangaita-Kabiru Water Project

6.2.1 Project Background

This water project was initiated in the year 2011. The project was implemented by Nanyuki Water and Sewerage Company Limited (NAWASCO) which is the main water and sewerage services provider in Nanyuki Town.

The company is managed by a management team consisting of the Managing Director, Commercial Manager, Technical Manager and Accountant. The management team is supervised by a board of directors, which by all means and measures, adheres to recommended corporate governance structures. It has subcommittees of Internal Audit, Finance and Administration and Technical Committee.

The total project funding amounted to Ksh 13,747,629.

6.2.2 Project Data

Name of project: Kangaita-Kabiru Water Project
Funding mechanism: UPC
Project value: Ksh 13,747,629
Implementers: Kooje Building Construction Limited
Supervisor: NAWASCO
Location of project: Nanyuki Area
Commencement date: February 2011
Date of completion: August 2011
Implementation period: 6 months
Status: Not complete

6.2.3 Project Objectives

a. To accelerate achievement of water related Millenium Development goal and vision 2030 in Nanyuki Municipality.

b. To improve access to clean and safe clean drinking water to under deserved areas of Nanyuki Municipality.

c. To increase overall coverage of water in Nanyuki Municipality.

6.2.4 Project Scope

- Construction of 4 No. Kiosk
- Pipeline extension by 12,600 meters

6.2.5 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.
6.2.6 Field visit observations

a) Construction of 4 No. water kiosks

The water kiosks measure 2,600 mm x 2,600 mm, typical of the WSTF Water Kiosk drawings. They are constructed using dressed masonry stones measuring 150 mm x 286 mm with an outside finishing of horizontal key pointed as per the standards. They have panelled steel doors and double leaf steel windows. Inside walls of the Water Kiosks are painted cream colours, two coats as per the BOQ. The windows, doors and loading bay corners are painted Bermuda blue, two coats. All the water kiosks are operational.

Figure 3 below shows one of the completed storage tanks constructed which are already in use. The water tank shown is representative, both in workmanship and material, of the three water tanks constructed under this project.

![Figure 3: A typical water tank constructed under this project (Photo taken on 04.05.2012)](image)

6.2.7 Comments

- The walling of the kiosk is masonry stones as specified. The wall is keyed on the external surface while the internal surfaces are smoothly plastered as specified.
- There is a DN 50 GI inlet pipe to the kiosk serving 3No. DN 50 GI delivery pipes spaced at 500 mm as per design specification.
- Draw off points (DN 50 GI delivery pipes) are conveniently located on a 1900 mm x 400 mm platform 200 mm above the floor slab. A 2300 mm x 4000 mm paving slab has been provided to allow kiosk users to place water containers while waiting to be served as per the design.

6.2.8 Challenges

- **Difficulties in getting sites for construction of water kiosks** – As expected in this informal settlement set-up, development is unplanned and haphazard. Acquiring of water kiosk sites involved people being displaced from their premises and this was quite challenging to the implementation team. As a result, only three water kiosks were constructed which is contrary to the initial specifications of the project plan of four water kiosks.
6.2.8 Challenges (Continued)

b) Pipeline extension

A total length of the pipeline extension is 12,600 metres. It was reported that excavation depth is approximately 90 cm. There are indicator marker posts along the pipeline for ease of maintenance and operation.

Figure 4: Part of the pipeline extension passing through a culvert (Photo taken on 04.05.2012)

6.2.9 Comments

The quality of workmanship is good. It was noted the part of the pipeline crosses the a road at an area adjacent to the military barracks through a storm water drain. This may cause the culvert to block in future. A separate crossing (Micro-tunneling is an option) is recommended.

6.2.10 Challenges

- Difficulty in digging trenches for the laying of the pipeline-The area is characterised by rocky and hilly topography which caused delay during the digging of trenches for laying the pipeline.
6.0 Nithi Water and Sanitation Company

7.1 Karingani Water Project

7.1.1 Project Background

This water project was initiated in the year 2011. The project was implemented by Nithi Water and Sanitation Company Limited (NIWASCO) which is the main water services provider in Chuka County.

The company is managed by a management team consisting of the General Manager, Commercial Manager, Technical Manager and Project Accountant. The management team is supervised by a board of directors, which by all means and measures, adheres to recommended corporate governance structures. It has subcommittees of Internal Audit, Finance and Administration and Technical Committee.

The total project funding amounted to Ksh 17,992,000.

7.1.2 Project Data

Name of project: Karingani Water Project
Funding mechanism: UPC
Project value: Ksh 17,992,000
Implementers: Sath Construction Limited
Supervisor: NIWASCO
Location of project: Chuka Area
Commencement date: February 2011
Date of completion: August 2011
Implementation period: 6 months
Status: Complete

Project Objectives

a) To provide improved access to reliable and safe water in the project area.
b) To have a coordinated water supply in the project area in order to reduce the unaccounted for water.
c) To increase the company’s responsiveness to community needs for water and sanitation.
d) To increase revenue collection from water services provided to Nairobi’s informal settlements.

Project Scope

a) Construction of 3 No. 100m³ storage tank
b) Construction of 2 No. water kiosks
c) Pipeline extension by 11,500 metres

Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.
7.1.6 Field visit observations

c) Construction of 3 No. 100m³ storage tank

*Site 1: Kiereni water tank*

The Kiereni water tank is located in Kiereni which is South East of Chuka Town and less than 10 km from the NIWASCO offices. As at March 2012, the tank had been completed as evidenced by the photographs attached below;

*Figure 1:* Side view of the 100 m³ Kiereni water tank (*Photo taken on 01.05.2012*)

*Figure 2:* View of the inlet to the 100 m³ Kiereni water tank (*Photo taken on 01.05.2012*)
Site 2: Kambandi Water Tank

The Kambandi water tank is located in Kambindi which is approximately 6km from Kiereni and a few metres from the Kambandi Dispensary. As at March 2012, the water kiosk had been completed as evidenced by the photographs below;

*Figure 3:* Front view of 100m$^3$ Kambandi water tank *(Photo taken on 01.05.2012)*

*Figure 4:* Side view of the 100m$^3$ Kambandi water tank *(Photo taken on 01.05.2012)*
Site 3: Makawani Water tank

The Makawani water tank is located in Makawani which is 10 km from Kiereni. As at March 2012, the tank had been completed as evidenced by the photographs below;

![Makawani Water tank](image)

**Figure 5:** Side view of the 100 m³ Makawani water tank (*Photo taken on 01.05.2012*)

**Comments**

- A Wash-Out and overflow pipe extension have been installed.
- Lockable manhole covers for the inlet and outlet chambers have been installed.

d) Construction of 2 No. water kiosks

The water kiosks measures 2,600 mm x 2,600 mm, typical of the WSTF Water Kiosk drawings. They are constructed using dressed masonry stones measuring 150 mm x 286 mm with an outside finishing of horizontal key pointed as per the standards. They have panelled steel doors and double leaf steel windows. Inside walls of the Water Kiosks are painted cream colours, two coats as per the BOQ. The windows, doors and loading bay corners are painted Bermuda blue, two coats. All the water kiosks are operational.
Site 1: Kambandi Water Kiosk

The Kambandi water kiosk is located in Kambindi which is approximately 3km from Kiereni. As at March 2012, the water kiosk had been completed as evidenced by the photographs below;

Figure 6: Front view of the Kambandi water kiosk (Photo taken on 01.05.2012)

Figure 7: Side view of the Kambindi water kiosk (Photo taken on 01.05.2012)
Site 2: Weru Water kiosk

The Weru water kiosk is located in Weru which is less than 100 metres from the Weru market. As at March 2012, the tank had been completed as evidenced by the photographs below;

Figure 8: Side view of the Weru water kiosk (Photo taken on 01.05.2012)

Figure 8: Right side view of the Weru water kiosk (Photo taken on 01.05.2012)

Comments

The workmanship of all water kiosks is good. They have all key components essential for a Water Kiosk such as; area for draw-off taps, loading bay, bucket plinths and soak away pit. The locations of all water kiosks are near and accessible to the residents. The surrounding areas are clear and well drained to prevent breeding of mosquitoes.
e) Pipeline extension

A total length of the pipeline extension is 11,500 metres. It was reported that excavation depth is approximately 90 cm. There are indicator marker posts along the pipeline for ease of maintenance and operation.

*Figure 8: Inside view of a Single Air Valve chamber. (Photo taken on 01.05.2012)*

*Comments*

The quality of workmanship is generally good. The works are operational and are providing water to residents.
7.0 Nanyuki Water and Sewerage Company (Continued)

7.2 Nturukuma, Katheri and Nkando Water Project

7.2.1 Project Background

This water project was initiated in the year 2011. The project was implemented by Nanyuki Water and Sewerage Company Limited (NAWASCO) which is the main water and sewerage services provider in Nanyuki Town.

The company is managed by a management team consisting of the Managing Director, Commercial Manager, Technical Manager and Accountant. The management team is supervised by a board of directors, which by all means and measures, adheres to recommended corporate governance structures. It has subcommittees of Internal Audit, Finance and Administration and Technical Committee.

The total project funding amounted to Ksh 11,607,280

7.2.2 Project Data

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7.2.3 Project Objectives

a) To accelerate achievement of water related Millennium Development goal and vision 2030 in Nanyuki Municipality.

b) To improve access to clean and safe clean drinking water to under deserved areas of Nanyuki Municipality.

c) To increase overall coverage of water in Nanyuki Municipality.

7.2.4 Project Scope

- Construction of 250m masonry tank
- Construction of 1 No. Kiosk
- Pipeline extension of 13,660m

7.2.5 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.
7.2.6 Field visit observations

a) Construction of 250m$^3$ masonry tank

*Nturukuma Water tank*

The Nturukuma water tank is located in Nturukuma town which is North East of Nanyuki Town and less than 10 km from the NAWASCO offices. The tank is elevated and is 250m$^3$ in volume.

![Figure 5: Sign board at the 250 m$^3$ Nturukuma water tank](Photo taken on 04.05.2012)

![Figure 5: View of the 250 m$^3$ Nturukuma water tank indicating elevated base](Photo taken on 04.05.2012)

*Comments*

- A Wash-out and overflow pipe extension have been installed.
- Lockable manhole covers for the inlet and outlet chambers have been installed.
- As at the time of the field visit, water proofing on the tank was yet to be done.
b) Construction of 1 No. water kiosk

The water kiosk measures 2,600 mm x 2,600 mm, typical of the WSTF Water Kiosk drawings. It was constructed using dressed masonry stones measuring 150 mm x 286 mm with an outside finishing of horizontal key pointed as per the standards. It has been paneled steel doors and double leaf steel windows. Inside walls of the Water Kiosk is painted cream colours, two coats as per the BOQ. The windows, doors and loading bay corners are painted Bermuda blue, two coats. The water kiosk is operational as evidenced by the photographs below;

**Figure 7:** Front view of the Katheri water kiosk *(Photo taken on 04.05.2012)*

**Figure 8:** Right-side view of the Katheri water kiosk *(Photo taken on 04.05.2012)*

**Figure 9:** Katheri market located 100metres from the Katheri water kiosk *(Photo taken on 04.05.2012)*
Comments

The workmanship of the water kiosk is good. It has all key components essential for a Water Kiosk such as; area for draw-off taps, loading bay, bucket plinths and a soak away pit. The location is near and accessible to the residents.

f) Pipeline extension

A total length of the pipeline extension is 13,660m. It was reported that excavation depth is approximately 100 cm. There are indicator marker posts along the pipeline for ease of maintenance and operation.

Comments

The quality of workmanship is generally good. The works are operational and are providing water to residents.
8.0 Makindu Water and Sanitation Company

8.1 Kiu -Kalima Water Project

8.1.1 Project Background

The project area is Kiu Kalima Ndogo and is located to the south west of Makindu Town and within the supply area of Makindu Water & Sewerage Co. Ltd. With a population of approximately 10,000 people and only 15% has been served with water. The existing water system has low pressures and hence not adequate.

The area was considered due to the fact that there is no sufficient water system network and the residents cannot afford to tap water from the WSP’s main supply line. The residents spend quite a lot of time searching for water that is sometimes unsafe for drinking. The available water at consumer point is of very low pressures. The WSP received a grant of Kshs 11,451,001, from the WSTF to implement the project.

8.1.2 Project Objectives

1) Increase water supply to the residents along the proposed pipeline
2) Improve water supply to residents of the project area
3) To ensure quality, safe and affordable water is availed in the supply area.
4) Reduce the distance covered looking for safe drinking water and thus save time to do other economic activities.
5) Improve service delivery to our customers
6) To reduce the risks of water borne diseases in the supply area

8.1.3 Project Scope

- Construction of steel elevated Tank
- Pipeline extension 8445M

8.1.4 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

8.1.5 Key Findings

The project was fully completed as at the time of the field visit, the pipeline had been laid and the steel tank had been constructed.

8.1.6 Project Achievements

The residents of Kiu - Kalima ndogo have access to safe, reliable and affordable water services due home connections to the homes in the pipeline extended area.
8.1.7 Actual works observations

Figure 1: The meter for the pipeline source

Figure 2: The beginning of the Pipeline

Figure 3: The elevated steel tank
8.1.8 Challenges

1. The project delayed due the challenge of getting a contractor for the elevated steel tank.
2. The casual laborers for the project were demanding higher wages than had been approved in the budget.
8.0 Makindu Water and Sanitation Company

8.2 Kiundani Water Project

8.2.1 Project Background

The Project area is Kiunduani town and a supply area of Makindu Water and Sewerage Co. Ltd; with a population of 12,600 people and is only served 25% with clean, safe water, the rest of the population is partially served by the WSP and there being low pressures/no network of supply. Available supply is insufficient and with no other alternative source of water. The reason the area was selected is because, the area is under served with portable water, densely populated with an estimate of 80% being low-income earners and the water at consumer points is at low pressures or none at all. The WSP received a grant of Kshs 13,420,434.10 in funding from the WSTF to implement the project.

8.2.2 Project Objectives

1) Increase water supply to the residents along the proposed pipeline
2) Improve water supply to residents of Kiunduani town and its environs
3) Ensure quality, safe and affordable water is availed in the supply area
4) Reduce the distance covered in looking of safe drinking water and thus save on time.
5) Improve service delivery to our customers
6) Reduce the risks of water borne diseases in the supply area

8.1.5 Project Scope

- Pipeline extension 14,800 M

8.1.6 Field visit objectives:

- Verification of progress on implementation of the project and utilization of funds disbursed.
- To observe that completed projects are beneficial to the communities.
- Reporting on the major achievements and challenges that the WSP has faced during the implementation process.

8.2.5 Key Findings

The project was fully completed as at the time of the field visit, the pipeline had been laid as per the project description.

8.2.6 Project Achievements

The residents of Kiundani have access to safe, reliable and affordable water services due home connections to the homes in the pipeline extended area.
8.2.7 Actual works observations

Figure 1: The meter for the pipeline source

Figure 2: The beginning of the Pipeline

8.1.8 Challenges

1. The project delayed due the challenge of getting a contractor for the elevated steel tank.
2. The casual laborers for the project were demanding higher wages than had been approved in the budget.
## UPC RECEIVABLES REPORT
**AS AT 31 DECEMBER 2011**

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## Name of WSP

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