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REPORT

OF

THE AUDITOR-GENERAL

ON

**TANA WATER WORKS DEVELOPMENT
AGENCY (FORMERLY TANA WATER
SERVICES BOARD)**

**FOR THE YEAR ENDED
30 JUNE 2019**

PAPERS LAID	
DATE	10/02/2022
TABLED BY	SENATE MAJORITY LEADER
COMMITTEE	
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**TANA WATER WORKS DEVELOPMENT AGENCY
(FORMERLY TANA WATER SERVICES BOARD)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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



TWWS IS ISO 9001:2015 CERTIFIED



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**Tana Water Works Development Agency
Annual Report And Financial Statements
For The Year Ended 30 June 2019**

TABLE OF CONTENTS	Page
KEY BOARD INFORMATION AND MANAGEMENT	ii
THE BOARD OF DIRECTORS	viii
MANAGEMENT TEAM	xii
CHAIRMAN'S STATEMENT.....	xv
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xviii
CORPORATE GOVERNANCE STATEMENT	xxiv
MANAGEMENT DISCUSSION AND ANALYSIS.....	xxviii
CORPORATE SOCIAL RESPONSIBILITY STATEMENT.....	xxxii
REPORT OF THE DIRECTORS.....	xxxiii
STATEMENT OF DIRECTOR'S RESPONSIBILITY	xxxv
REPORT OF THE INDEPENDENT AUDITORS ON TWWDA.....	xxxviii
STATEMENT OF FINANCIAL PERFORMANCE	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN NET ASSETS.....	3
STATEMENT OF CASH FLOWS	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	5
NOTES TO THE FINANCIAL STATEMENTS.....	7
PROGRESS ON FOLLOWUP OF AUDITOR RECOMMENDATION	34
PROJECTS IMPLEMENTED BY TANA WATER WORKS DEVELOPMENT AGENCY.....	38
INTER-ENTITY TRANSFERS	40

I. KEY AGENCY INFORMATION AND MANAGEMENT

(a) Background information

Tana Water Works Development Agency (TWWDA) formerly Tana Water Services Board (TWSB) was established under section 65 of the Water Act, 2016 vide legal notice no. 27 of 26th April 2019. The Agency is domiciled in Kenya. The Agency is a State Corporation currently under the Ministry of Water and Sanitation. TWSB covered six (6) Counties in Mount Kenya region namely; Murang'a, Nyeri, Kirinyaga, Embu, Tharaka-Nithi, and Meru however, after the formation of Water Works Development Agency Murang'a County was hived off Tana to Athi Water Works Development Agency. The transition period is for three (3) years and therefore the ongoing projects in Murang'a County being implemented by TWWDA will continue being implemented to completion

(b) Principal Activities

i. Mandate

The mandate of TWWDA is outlined in the Water Act 2016 section 68 and include:

- a) Development, maintenance and management of National Public Water Works
- b) Operate Water Works and provide water services as a Water Service Provider
- c) Provide reserve capacity for purposes of providing water services
- d) Provide Technical Services and Capacity Building to County Governments and WSPs as may be requested.
- e) Provide Technical Support to the Water Cabinet Secretary in discharge of their functions.

ii. Vision

An innovative and Resourceful institution in development of bulk water and sanitation works.

iii. Mission

Mission of the Agency is to develop sustainable National Water and Sanitation Public Works within our area of jurisdiction that enhances socio-economic growth for our stakeholders.

iv. Core values

TWWDA core values constitute the fundamental bedrock beliefs that drive the Agency. These beliefs are essential and must be upheld because they shape the Agency's culture

as it seeks to achieve leadership in quality service delivery. TWWDA therefore upholds the following core values;

a) Competence

We shall strive to uphold high level of capability and innovativeness in all our activities.

b) Teamwork

We shall strive to value and promote team spirit.

c) Quality

We shall strive to emphasize on excellence to comply and exceed the set standards.

d) Integrity

We shall be honest and fair in all our undertakings.

e) Customer Focus

TWWDA shall provide customer driven exceptional service that meets and exceeds customers' expectations.

f) Good governance

We shall practice good corporate governance in our services.

g) Sustainable development

We shall endeavour to develop utilities that meet the needs of the present generation without compromising the ability of the future generations to meet their own needs.

(c) Key Management

The Agency's day-to-day management is under the following key organs:

1. Board Members
2. Chief Executive Officer and Secretary to the Board
3. Senior Management comprising of;
 - Finance Department,
 - Technical Services Department,
 - Planning and Strategy Department,
 - Human Resource and Administration Division,
 - Procurement Division,
 - Information Communication and Technology Division, and
 - Internal Audit Division

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility are:

No.	Designation	Name
1.	Chief Executive Officer	Eng. Moses Naivasha
2.	Technical Services Manager	Eng. John Mbogori
3.	Head of Finance	CPA Nicholas Kanyeke
4.	Planning & Strategy Manager	Mr. Irari Wagereka
5.	Human Resource and Administration Manager	Mrs. Pauline Miriga
6.	Procurement Manager	Mr. James Ribiru
7.	Information Communication and Technology Manager	Mr. Joseph Githinji
8.	Internal Audit and Assurance Manager	Mr. Vincent Kachi

(e) Fiduciary Oversight Arrangements

To enhance corporate governance, the Board has three working committees namely; Finance and Administration, Technical, Planning & Strategy and Audit and Governance Committees.

Finance and Administration Committee

The Finance and Administration Committee is responsible for overseeing:

- Leadership and coordination of Finance & Accounts in accordance with the Public Finance Management Act, 2012, and development, review and implementation of strategies for resource mobilization;
- Human Resource Management & Development, Administration, Information and Communications Technology and Corporate Communication functions; and
- Procurement of goods, works and services, Inventory management and disposal.

The members of the Finance and Administration Committee are;

- i. Dr Purity Muthoni – Committee chair was appointed to the Board on 7th February 2019
- ii. Ms. Winfred Mwai - appointed on 2nd October 2015 and her first term expired on 1st October 2018 and was re-appointed to the Board on 7th February 2019
- iii. Ms. Anne Wangechi - was appointed to the Board on 7th February 2019
- iv. CS The National Treasury and Planning
- v. PS Ministry of Water and Sanitation

- vi. Head of Finance –Secretary to the Committee
- vii. Mr. Jamal Runyenjes - appointed on 2nd October 2015 and his expired on 1st October 2018

Technical Planning and Strategy Committee

The Technical, Planning & Strategy Committee is responsible for:

- Technical planning and design, infrastructure development, asset management, liaison and capacity development; and
- Development and review of strategic and business plans, quality assurance, risk management coordination, knowledge management, performance management, business process re-engineering, coordinating research, and monitoring & evaluation of Agency programmes and projects.

The members of the Technical, Planning and Strategy Committee are;

- i. Mr. Joseph M’Eruaki – Committee chair was appointed to the Board on 7th February 2019
- ii. Mr David Njagi - was appointed to the Board on 7th February 2019
- iii. Ms. Anne Wangechi - was appointed to the Board on 7th February 2019
- iv. CS The National Treasury and Planning
- v. PS Ministry of Water and Sanitation
- vi. Technical Services Manager – Secretary to the committee
- vii. Mr. Moses Migwi Mbutia – Committee chair appointed on 2nd October 2015 and his term expired on 1st October 2018
- viii. Mr. Moses Kithinji Rutere - appointed on 2nd October 2015 and his term expired on 1st October 2018

Audit and Governance Committee

The Audit and Governance Committee is responsible for providing assurance to the Agency on internal control systems, risk management and governance structures.

The members are:

- i. Mr David Njagi- Committee chair was appointed to the Board on 7th February 2019
- ii. Mr. Joseph M’Eruaki - was appointed to the Board on 7th February 2019

**Tana Water Works Development Agency
Annual Report And Financial Statements
For The Year Ended 30 June 2019**

- iii. Ms Winfred Mwai - appointed on 2nd October 2015 and her first term expired on 1st October 2018 and was re-appointed to the Board on 7th February 2019
- iv. CS The National Treasury and Planning
- v. PS Ministry of Water and Sanitation
- vi. Internal Audit and Assurance Manager-Secretary to the committee

During the FY 2018/19 the following Board Members term expired on 1st October 2018;

- i. Mr. Jamal Runyenjes
- ii. Ms. Winfred Mwai
- iii. Mr. Moses Migwi Mbutia
- iv. Mr. Moses Kithinji Rutere

**Tana Water Works Development Agency
Annual Report And Financial Statements
For The Year Ended 30 June 2019**

(f) TWWDA Headquarters

P. O. Box 1292 – 10100
Maji House
Baden Powell road
Nyeri, KENYA

(g) TWWDA Contacts

Telephone: 061- 2032282
Fax: 061- 2034118
Email address: info@tanawsb.or.ke or tanawaterboard@yahoo.com
Website: www.tanawsb.or.ke

(h) TWWDA Bankers

Kenya Commercial Bank
Nyeri Branch
P.O Box 215 - 10100
Nyeri, KENYA

(i) Independent Auditors

Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. THE BOARD OF DIRECTORS



Dr. Purity Muthoni Nkoroi

Dr. Nkoroi is an independent director born in 1962. She was appointed to the Board on 7th February 2019 vide Kenya gazette notice No. 1247. She holds a PHD in Education Management, a Master's degree in Education and Bachelor's degree in Education from Kenyatta University. She is a council member of Tharaka University College. She is the immediate former principal at Ndagani Secondary School from 2007-2018. She is the current Chair of the Finance and Administration Committee of the TWWDA Board.



Hon. Joseph M'Eruaki M'uthari

Hon. M'uthari is an independent director born in 1967. He was appointed to the Board on 7th February 2019 vide Kenya gazette notice No. 1247. He holds Master's Degree in Development Studies from St. Pauls University and a degree in Bachelor of Science in Forestry from Moi University. He is the immediate former member of parliament of Igembe North Constituency, Meru County. He is the current Chair of the Technical, Planning and Strategy Committee and a member of the Audit and Governance Committee of the TWWDA Board.



Mr. David Njagi Ngonge

Mr. Ngonge is an independent director born in 1963. He was appointed to the Board on 7th February 2019 vide gazette notice No. 1247. He holds a Master's Degree of Art in Environmental Law and a B.Sc degree in Agriculture from University of Nairobi. He is the Board Member/team leader at Dalquarter consult, a firm of Experts. He was a volunteer/consultant with metro Metropolitan Training Consultancy (MTC) from 2002 to 2008. He has vast experience in research in the field of irrigation. He is the current Chair of the Audit and Governance Committee and a member of the Technical, Planning and Strategy Committee of the TWWDA Board.



Ms. Winfred Mwai

Ms. Mwai is an independent director born in 1971. She was appointed on 2nd October 2015 and her first term expired on 1st October 2018 and re-appointed to the Board on 7th February 2019 vide gazette notice No. 1247. Ms. Mwai holds an MBA, a Bachelor's degree in Interrelations and a Diploma in Business Administration. She is the Director Operations at Figaros Limited since 2007. She was the 2nd Secretary Ministry of Foreign Affairs from 2003 to 2007. She was an Administrative Assistant at Kenya Airways from 1999 to 2000. She is a Board Member at Chamber of Commerce and Chairperson Mama Winnie Foundation She is a member of the Finance and Administration and Audit and Governance Committee of the TWWDA Board.



Ms. Anne Wangechi Githinji

Ms. Githinji is an independent director born in 1968. She was appointed to the Board on 7th February 2019 vide gazette notice No. 1247. She holds a bachelor's degree in law and a diploma from Kenya School of Law and a bachelor's degree of Social Legislation from Marathwada University. She is an advocate of the High Court of Kenya. She is a Managing Partner at Masakhwe & Co. Advocates. She is the immediate former Speaker County Assembly of Kirinyaga County. She is a member of Finance and Administration Committee and Technical, Planning and Strategy Committee of the TWWDA Board.



Eng. John Mugo Muiruri

Eng. Muiruri was born in 1961 he is the alternate to the Principal Secretary, Ministry of Water and Sanitation. He holds an MBA from Eastern and Southern Africa Management Institute (ESAMI), Arusha, Tanzania, a B.Sc degree in Civil Engineering from University of Nairobi and four postgraduate diplomas. He is currently the Director Water infrastructure Development with vast experience in dam design and resource mobilization. He was the chief Manager, Infrastructure Development (Technical Services) Athi Water Works Development Agency from 2004-2015. He was formerly the acting CEO, Athi Water Works Development Agency from 2002-2004. He is the immediate former chair of National Environment Trust Fund (NETFUND)



CPA Edward Kariungu Wamweya

CPA Wamweya was born in 1984 he is the alternate to the Cabinet Secretary, The National Treasury and Planning. He holds an MBA degree in Finance, Bachelor of Commerce (Finance Option) degree, CPA (K) and is a Certified Investment and Financial Analyst (CIFA). He is currently a Senior Investment Officer in The National Treasury and Planning with three years experience in monitoring financial performance of State Corporations, managing of GoK loans to State Corporations, preparation of lending agreements, appraisal of State Corporations projects, analyzing and recommending for approval of State Corporations annual budgets and financing agreements relating to Parastatals borrowing. He is a member of ICPAK and ICIFA.



Eng. Moses Mbae Naivasha – Chief Executive Officer/ Secretary to the Board

Eng. Naivasha was born in 1959. He was appointed to the Agency on 1st December 2008. He holds a Bachelor of Science degree from University of Nairobi and a Post Graduate Diploma in Hydraulic and Environmental Engineering from the International Institute for Hydraulic and Environmental Engineering (IHE), Delft, The Netherlands. His main responsibilities include: ensuring safe custody and management of the Agency's assets, providing strategic direction and leadership to the Agency's staff, developing and maintaining a conducive working environment for attracting, retaining and motivating employees. Other responsibilities include; developing policies, recommending to the Agency the corporate policies, long term strategy, business plans and annual operating budgets and ensuring effective planning and implementation of the Agency's strategies and approved work plans. He is the Secretary of the Board.



Mr. Moses Migwi Mbuthia

Mr. Migwi was born in 1967. He was appointed to the Board on 2nd October 2015 vide gazette notice No. 7465. He represents Tharaka Nithi County. He holds an MBA and BA degree in Building Economics. He is a member of IQSK, CIAK and AAK. He previously worked as a senior civil servant in the Ministry of Public Works for 12 years. He was an Assistant Registrar, BORAQS for 4 years. Mr. Migwi has provided consultancy services to the African Development Bank Health Project II & III. He is the CEO, Marimo Construction Ltd. His term expired on 1st October 2018.



Mr. Jamal Runyenjes

Mr. Jamal Runyenjes was born in 1972. He was appointed to the Board on 2nd October 2015 vide gazette notice No. 7465. He represents Embu County. He holds a Bachelor's degree in Education from KU. He is a businessperson. His term expired on 1st October 2018.



Mr. Moses Kithinji Rutere

Mr. Rutere was born in 1978. He was appointed to the Board on 2nd October 2015 vide gazette notice No. 7465. He represents Meru County. He holds an MA degree in Project Planning and Management from UON and Bsc. degree in Environmental Science from Egerton University. He is a scholar at MUST, UON and MKU. Previously he worked at Ecoplan Consulting firm for 5 years as an Environment Programmes Director and as a Geographic Information System data analyst in charge of GIS at CENTRAD for 3 years. He also worked as a Project Coordinator of South Imenti Youth Company. His term expired on 1st October 2018.

III. MANAGEMENT TEAM



Eng. Moses Mbae Naivasha – Chief Executive Officer

Eng. Naivasha holds a Bachelor of Science degree from University of Nairobi and a Post Graduate Diploma in Hydraulic and Environmental Engineering from the International Institute for Hydraulic and Environmental Engineering (IHE), Delft, The Netherlands. He was appointed to the Agency on 1st December 2008. His main responsibilities include: ensuring safe custody and management of the Agency’s assets, providing strategic direction and leadership to the Agency’s staff, developing and maintaining a conducive working environment for attracting, retaining and motivating employees. Other responsibilities include; developing policies, recommending to the Agency the corporate policies, long term strategy, business plans and annual operating budgets and ensuring effective planning and implementation of the Agency’s strategies and approved work plans.



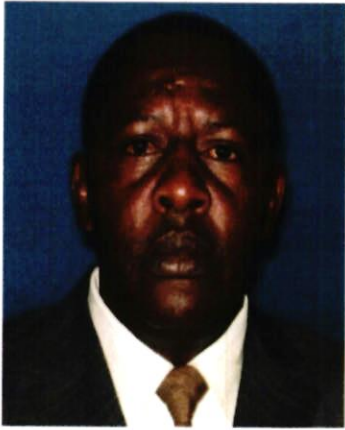
Eng. John Nyaga Mbogori – Technical Services Manager

Eng. Mbogori holds a Bsc. degree from North-East Saxony University, Germany. His main responsibilities include; Overseeing the engagement, management and supervision of contractors and consultants, management of contractual works and preparation of project certificates, directing, co-ordinating, controlling and managing the Agency’s technical operations and ensuring good maintenance of infrastructure for quality water and sewerage services of existing Water Service Providers(WSP) and close consultation with development partners and other stakeholders to ensure efficient and effective implementation of funded water and sanitation infrastructure.



CPA Nicholas Mutunga Kanyeke – Head of Finance

CPA Kanyeke holds an MBA degree from KCA University and a B.Com degree from UoN. He is a member of ICPAK and CISA. He joined the Agency on 25th May 2009. His responsibilities include; establishing financial and management systems for the effective implementation of the Agency’s goals and policies, advice the CEO and the Board on the financial position of the proposed projects and investments, ensuring compliance with the International Accounting Standards on financial reporting for the Agency.



Mr. James Irari Wagereka – Planning and Strategy Manager

Mr. Irari holds a Bsc. degree in Civil Engineering from UoN and a Post Graduate Diploma in Water Resources Management from the International Institute for Aerospace Survey and Earth Sciences, Netherlands. He joined the Agency in 11th November 2004. He was appointed Planning and Strategy Manager on 1 December 2018. His main responsibilities as include; carrying out pre-feasibility, feasibility studies and designs for water and sewerage services, identification of existing water sources, coverage and gaps to be taken into account in the preparation of master plans, ensuring that demand analysis is carried out to facilitate preparation of meaningful and relevant plans, ensuring effective planning and implementation of approved work plans associated with the area of assignment.



Ms. Pauline Wairimu Miriga - Human Resource Administration Manager

Ms. Miriga holds a MBA degree (Human Resource Management) from KEMU, a Bachelor of Business Administration (Entrepreneurship) degree, a higher diploma in management from the Kenya Technical Training Institute and a Diploma in Human Resource Management from Kenya Institute of Management. She joined the Agency on 6th February 2006. Her main responsibilities include: Developing departmental strategies, policies, and plans to facilitate achievement of overall Agency's goals. Conduct recruitment, selection and induction of staff, recommending appropriate deployment and placement of staff. Developing and maintaining a conducive work environment for attracting, retaining and motivating employees. Conducting training and employee development programmes. Managing payroll, medical and pension schemes, terminal benefits, staff welfare activities and ensuring timely submission of statutory deductions.



Mr. Vincent Mali Kachi - Internal Audit and Assurance Manager

Mr. Kachi holds a Bachelor's degree in Business Administration (Accounting & Finance) from Kenya Methodist University (KEMU) and professional qualifications in Accounting (CPA). He is a member of the Institute of Internal Auditors (IIA). He joined the Agency on 1st May 2017. His main responsibilities include: Examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. Other responsibilities include: ensuring annual, medium and long-term audit plans are prepared in line with the Agency's corporate goals and objectives,

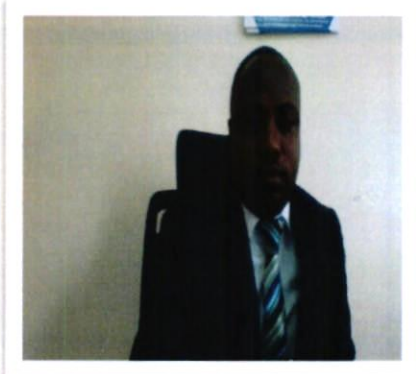
ensuring timely availability and implementation of approved Internal Audit strategies and ensuring that internal audits are completed and documented to the required standards.

Mr. James Karanja Ribiru - Procurement Manager



Mr. Ribiru holds an MBA degree (Procurement and Supply Chain Management) from the University of Nairobi, a Bachelor of Business Management (Purchasing and Supplies) degree from Moi University, Diploma I, II and III in Supplies management from Railway Training Institute and Kenya Polytechnic and Certificates in the same field. He joined the Agency on 1st May 2017. His main responsibilities include: Overseeing the overall management of procurement and supplies at the Agency; processing tender documentation and applications; preparing relevant progress and annual reports on the performance of the Agency; preparing annual procurement plans in accordance with the budget process; ensuring compliance with regulations, policies and practices in the implementation of procurement activities; managing the awarded contracts; Ensuring maintenance of optimal stock-levels of supplies in tandem with the Agency's requirements; Performing administrative duties within the department among others.

Mr. Joseph Karani Githinji –ICT Manager



Mr. Githinji holds a Bachelor of Science in Information Systems degree, and professional qualifications in Certified Information and Communication Technology (CICT), Cisco Certified Network Profession (CCNP) and Cisco Certified Network Associate (CCNA). He joined the Agency on 15th January 2010. His main responsibilities include: Ensuring that hardware and software components of the Agency's ICT systems are available and are properly installed and maintained; establishing and maintaining appropriate connectivity for Agency networking, communications and other needs; manage web operations, provide internet support, allocate user rights and ensure security of systems; liaise with external service providers for the maintenance and support of the systems; advice management on the computer resources requirements for the organization and oversee performance management in ICT department.

IV. CHAIRMAN'S STATEMENT

INTRODUCTION

I am excited to present the annual report and financial statements for Tana Water Works Development Agency, for the year ended 30th June 2019. The financial year 2018/2019 was definitely a busy one for TWWDA given the demand by clients to complete our major projects that were under implementation and to commence implementation of new projects including Kenya Towns Sustainable Water Supply and Sanitation Programme funded by ADB and GoK in line with TWWDA Strategic Plan 2018-2022. The Agency shall continue engaging with a variety of stakeholders including parent Ministry, Development Partners, County Government, Water Service Providers, the Public and other State Agencies.

OVERVIEW OF OPERATING ENVIRONMENT

The water sector and other sectors of the economy in our region and the country in general have experienced turbulent times due to the unfavourable weather conditions. Despite the consequences of this unfavourable development that reduced and curtailed the operations in our region, leadership at TWWDA and commitment to good corporate governance by the Board Members and the management ensured that the Agency sustained an upward growth in the year. Aggressive resource mobilization efforts had indeed a positive impact that resulted to completion and good progress in several development projects, commissioning of new ones and proposals that have moved pretty close to attracting substantial external funding.

Tana Water Works Development Agency continued to seize opportunities and to address the challenges to strengthen its position in line with its vision of being an innovative and Resourceful institution in development of bulk water and sanitation works.

ACHIEVEMENTS

During the period under review the Agency continued with its infrastructural programmes geared towards increasing access to water and sanitation, which are key enablers of the Big 4 Agenda.

In 2018/2019 Financial Year, the Agency maintained active engagement with the already established alliances with development partners to enhance resources mobilisation for expanding the water and sanitation infrastructure to the un-served areas. Following successful implementation of previously

ADB funded projects, TWWDA was charged with the responsibility by ADB to implement in conjunction with Northern Water Works Development Agency (NWWDA)

Under this, the Agency has commenced implementation of the following ADB funded projects under the Kenya Towns Sustainable Water Supply and Sanitation Programmes;

In 2018/2019 Financial Year, the Agency through the support of the Government of Kenya implemented Thangatha Earth dam and Ndumuru dam;

CHALLENGES

The main challenge to the Agency is to obtain adequate funding to upgrade water and sanitation infrastructures to ensure quality and sustainable service delivery. As reported in the previous years' report, the Agency inherited water infrastructure from National Water Conservation and Pipeline Corporation and the defunct Ministry of Water & Irrigation which were in a dilapidated state. This has led to high Non-Revenue Water (NRW); low connections; and sub-optimal access to quality water even in many areas that are serviced by the existing systems. Other challenges identified include: degraded catchment areas which affect the quality and adequacy of water resources which is further compounded by drought situation; numerous and unsustainable community water schemes that are poorly managed, over –abstraction of water due to poor enforcement of apportionment regulations and polluted sources of water.

FUTURE OUTLOOK

With the introduction of the fundamental changes brought about by the Constitution to the Water and Sanitation Sector and the commencement of the Water Act 2016, The National Government through the Water Works Development Agencies plays an important role of developing sustainable National Water and Sanitation Public Works. This will enhance effectiveness of water and sanitation sector by guaranteeing the right to water and obligating the Agency to ensure that every person has access to safe and adequate quantities of water and a further right to reasonable standards of sanitation as required by the Constitution.

The Agency shall also ensure the right to health and the right to a clean environment, proper and effective sanitation services, this will contribute in the enabling of the Big 4 Agenda.

APPRECIATION

On behalf of the Board Members, I wish to appreciate the entire TWWDA team in their industrious resolute towards the attainment of the targets set out in the 2018/19 performance contract. In addition, TWWDA has maintained ISO 9001:2015 certification by KEBS.

The Agency remains committed to providing the necessary leadership to facilitate continuous improvement of TWWDA's operations. I remain confident that we have the skills and resources necessary to manage the significant opportunities and challenges that lie ahead. May I also take this opportunity to thank all our stakeholders for their support without which our remarkable performance would not have been achieved.

Finally, I sincerely thank the Government of Kenya, particularly the Ministry of Water and Sanitation, The National Treasury and Planning, our Development Partners, Water Services Regulatory Authority., Water Service Providers and all other State Corporations under the Ministry of Water and Sanitation for their guidance, continued support and co-operation.

CHAIRMAN: 

DATE: 20-08-2019

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

INTRODUCTION

I am happy to report the continued growth in our operations and financial performance. The annual report and financial statements as at 30 June 2019 are an indication of a successful year. I am indeed elated to be part of the team that delivered such results. We have refocused our strategic direction to concentrate on our core business and enhanced capacities at all levels which has strengthened management systems for continued service delivery to all our customers.

KEY ACTIVITIES

During the financial year 2018/2019, the Agency made tremendous achievements in implementation of water and sanitation projects. Guided by the Agency's Strategic Plan (2018-2022), National Water Master Plan 2030, Vision 2030, Big 4 Agenda and Water Act 2016 the Agency has prioritized areas that require intervention, improvement and expansion of existing water and sanitation infrastructures.

I. Completed key projects;

- Ndumuru dam;

The dam was funded by the Government of Kenya at a total cost of KES. 20,000,000. The dam's design capacity is 140,000m³. The project targets to serve a population of 4000 people

- Thangatha earth dam;

The dam was funded by the Government of Kenya at a total cost of KES. 31,815,740. The dam's design capacity is 50,000m³ with a target population to be served of 10,000 people.

II. Project under implementation

- i. African Development Bank (ADB) Funded Projects under Kenya Towns Sustainable Water Supply and Sanitation Programmes

The National Treasury secured a loan from ADB and on lent KES.10,998,156,567 to TWWDA. Following successful implementation of previously ADB funded projects TWWDA was charged with the responsibility by ADB to implement in conjunction with Northern Water Works Development Agency (NWWDA) project in the NWWDA area of

**Tana Water Works Development Agency
Annual Report And Financial Statements
For The Year Ended 30 June 2019**

jurisdiction. The loan amount for TWWDA is KES. 5,689,093,088 and for NWWDA is KES. 5,309,063,479

The following are the ongoing projects in TWWDA area of jurisdiction:

- Chuka Water Supply Infrastructure
- Chuka Sewerage Infrastructure
- Chogoria Water Supply Infrastructure
- Chogoria Sewerage Infrastructure;
- Kerugoya -Kutus Water Supply Infrastructure
- Kerugoya- Kutus Sewerage Infrastructure
- Meru Sewerage Infrastructure;
- Murang'a Urban Water Supply Infrastructure - Last mile connectivity
- Murang'a South Water Supply Infrastructure - Last mile connectivity
- Othaya Sewerage Infrastructure – Last mile connectivity

The following are the ongoing projects in NWWDA area of jurisdiction :

- Marsabit Water Supply Infrastructure,
- Marsabit Sewerage Infrastructure,
- Mandera Water Supply Infrastructure,
- Mandera Sewerage Infrastructure,
- Garissa Town Water Supply and Sewerage Infrastructure - Last mile connectivity, and
- Isiolo Town Water Supply and Sewerage Infrastructure - Last mile connectivity.

In addition, the funding by ADB has the following components for the two Agencies;

- Procurement of eight exhauster,
- Procurement of Enterprise Resource Planner (ERP) software,
- Capacity Building of project area WSPs and WWDA Staff,
- Procurement of Billing software and hardware,
- Procurement of Water Meters,
- Construction of Laboratories and Laboratory equipment,
- Procurement of Equipment for NRW Management,

- Procurement of Equipment for Sewer Maintenance, and
 - Procurement of Vehicles.
- ii. GoK funded Projects

- Kianjuri dam

The dam was funded by the Government of Kenya at a total cost of KES. 74,111,138. The dam's design capacity is 300,000m³. The project targets to serve a population of 55,000 people.

- Ura 4 Dam

The dam was funded by the Government of Kenya at a total cost of KES. 58,271,400. The dam's design capacity is 100,000m³ with a target population to be served of 54,000 people.

- Rehabilitation of Mukurwe-ini Water Project

This included rehabilitation of existing dilapidated water systems.

In addition, the Government provided a grant of KES. 226 million for the following programmes

- a) Rehabilitation of Water Supply Infrastructure - KES. 145Million

The following are the Projects earmarked for rehabilitation

- Kamwene Water Project
- Mwichiuri Water Project
- Ndigia Water Project
- Sisi Kwa Sisi Water Project
- Wahundura/Kiringu Water Project
- Miathene Boys' High Sch. B/H

- b) Water for Schools Programme – KES. 34 Million

The following are the Schools earmarked for drilling and equipping of boreholes;

- Kambaru Pry Sch Borehole
- Igumori Pry Sch Borehole
- Gatuanyaga Sec Sch Borehole
- Kambi Pry Sch Borehole
- Rukenya Pry Sch Borehole
- Miathene High Sch Borehole

**Tana Water Works Development Agency
Annual Report And Financial Statements
For The Year Ended 30 June 2019**

- Iriaini Pry Sch Borehole
- Muthiga Pry Sch Borehole
- Mihango Pry Sch Borehole
- Ammuka S.H
- Matanya Girls Sec Sch Borehole
- Gakuani Pry Sch Borehole
- Gatitu Secondary School Borehole
- Gakarati Pry Sch Borehole

c) Drought Mitigation Initiatives – KES. 47 Million

In an effort to mitigate against drought, the agency has programmed to utilize the grants in drilling boreholes, water trucking, construction of water pans and small dams in the vulnerable areas.

The Agency continued to adopt Performance Contract Management Approach in line with the Government Reforms initiatives. During the financial year, the Agency signed a performance contract with the Ministry of Water and Sanitation for implementation and cascaded the set targets to Heads of Departments/Divisions. This approach improved the utilization of the available resources leading to better service delivery and better value for money in the Agency activities.

In the financial year 2018/19 the Agency had a deficit of KES. 294,172,200, which is attributed to depreciation and provisions for bad debt. TWWDA had an absorption rate of 91% of allocated funds and a project completion rate of 11% due to delay in release of allocated funds.

SUCCESS

During 2018/2019 financial year, the Agency continued to maintain constructive engagements with Development Partners and Stakeholders to support the rehabilitation and augmentation of the existing water services infrastructure and to initiate new schemes to increase coverage in line the Kenya Vision 2030 and Big Four Agenda.

The maintaining of the ISO 9001:2015 is a testimony that TWWDA has continued to embrace international best practices for efficiency in service delivery and customer satisfaction through provision of quality services and continual improvement. The Agency members are well aware that it has been a long journey that started way back in 2007, but with determination and hard work, all our efforts have not been in vain. I shall provide the necessary support to the management to ensure continual improvement in service delivery, process re-engineering, customer focus, leadership and staff involvement. To support these initiatives, I shall ensure availability of required resources for maintenance and improvement of TWWDA's QMS.

I remain committed to provide the necessary leadership to facilitate continual improvement of TWWDA's operations. Am confident that we have the skills and resources necessary to manage the significant opportunities and challenges that lie ahead. May I also take this opportunity to thank all our stakeholders for their support without which our remarkable performance would not have been achieved. We are indeed extremely grateful to all stakeholders for their support towards the continued implementation of TWWDA Strategic Plan 2018-2022.

Finally, I sincerely thank the Government of Kenya, particularly the Ministry of Water and Sanitation, The National Treasury and Planning, our Development Partners, Water Services Regulatory Authority, Water Service Providers and all other State Corporations under the Ministry of Water and Sanitation for their guidance, continued support and co-operation.

CHALLENGES

The main challenges that the Agency experienced include;

- i. Inadequate funding
 - **AIA**
During the financial year TWWDA had a proposed budget of KES 3.5 billion for AIA. However only KES 1,825,000,000 was allocated.
 - **Counterpart Funds**
During the financial year TWWDA had a proposed budget of KES 650 million for counterpart funding however only KES 100 million was allocated.
 - **Development Grant**

During the financial year, TWWDA had a proposed budget of KES 1,295,500,000 for implementation of capital works however only KES 226 million was allocated.

- **Recurrent Grant**

During the financial year, TWWDA had a proposed budget of KES 208,269,000 as recurrent grant however only KES 78,400,000 was allocated.

- ii. Delays in disbursement of the allocated funds leading to delay in honouring commitments and obligations which can lead to the public losing confidence with the Agency.

- **Counterpart funding**

During the financial year 2018/2019 TWWDA was allocated KES 100 million for counterpart funding however, only KES 75 million was received as follows;

- 1st Allocation KES 25 million – 18th October 2018
- 2nd Allocation KES 25 million – 28th December 2018
- 3rd Allocation KES 25 million – 27th June 2019

- **Development grant**

TWWDA was allocated KES 226 million for implementation of Water and Sanitation works as follows;

- TWWDA was allocated KES. 145 Million for Rehabilitation of Water Supply however only KES 108,750,000 was received as follows;
 - ❖ 1st Allocation KES 36.25 million – 18th October 2018
 - ❖ 2nd Allocation KES 36.25 million – 28th December 2018
 - ❖ 3rd Allocation KES 36.25 million – 27th June 2019
- Water for Schools Programme was allocated KES. 54 Million the Agency advertised and awarded contracts for the allocated funds. However, in the supplementary 2 budget the amount was reduced to KES 34 million in addition only KES 27 million was received on 14th January 2019
- Drought Mitigation Initiatives was allocated KES. 47 Million which was received on 26th June 2019

- **Recurrent grant**

During the financial year 2018/2019 TWWDA was allocated KES 78,400,000 however only KES 77,600,000 was received as at the end of June 30, 2019.

iii. Transitional challenges

As a result of provision of water services being a devolved function, there has been non remittance of Board Administrative Cost Fees which has continued to impacted negatively on the Agency's operations.

iv. Appointment of Board Members

During the FY 2018/2019 the Board member's terms expired on 1st October 2018. The Chair to the Board and the Board Members were appointed on 7th February 2019 however they resumed office on 10th May 2019 when the Water Works Development Agencies were inaugurated at Ministry of Water and Sanitation Headquarters. This delay posed a challenge in key resolutions of the Board.

The Agency shall continue engaging the Ministry of Water and Sanitation and other relevant stakeholders in addressing these challenges.

FUTURE OUTLOOK

There are on-going efforts to (re)align laws and policies within the Agency to be in line with the Constitution of Kenya order and the Water Act 2016. While there is a general process of implementation of the devolved system of government, there will be a sector-specific approach to the implementation process. In the water and sanitation sector, the pre-2010 sector reforms form the basis of the implementation of devolved system of Government. The Agency will strive to save the benefits harnessed from earlier sector reforms while conforming to the current Constitutional requirements relevant to the sector.



.....
Eng. John N. Mbogori
Ag. CHIEF EXECUTIVE OFFICER

DATE: ...20-08-2019.....

VI. CORPORATE GOVERNANCE STATEMENT

BOARD MEETINGS AND ATTENDANCE

All the six independent Board Members were appointed on 7th February 2019 vide Gazette Notice No. 1247 and the Water Works Development Agencies was established under section 65 of the Water Act 2016 vide legal notice no. 27 of 26th February 2019. There was an inauguration ceremony of the Water Works Development Agencies on 10th May 2019 at Ministry headquarters followed by an induction of Board Members by the Ministry of Water and Sanitation on 23rd – 25th May 2019.

In view of the above, it was not possible to have the four (4) mandatory meeting during the Financial Year. However, there was a Board Members introductory meeting on 4th June 2019 at the TWWDA Board room followed by an induction training on Mwongozo Code of Governance by State Corporation Advisory Committee (SCAC) from 24th to 26th June 2019.

SUCCESSION PLAN

In accordance with section 66 (1) of the Water Act, 2016 the appointing authority of the Agency's Chairperson to the Board and Board Member is the Cabinet Secretary for Water and Sanitation. In this regard, the Agency has no control over the succession planning of the Board Members. However, the management notifies the appointing authority six months prior to the Board Members' time of retirement. The Agency has a policy on succession planning for the CEO, Senior Management and Staff.

BOARD CHARTER

The Board has an approved Board charter which is also uploaded in the Agency's website. As part of the induction programme, newly appointed Board members are inducted on the contents of the charter.

APPOINTMENT AND REMOVAL OF BOARD MEMBERS

In accordance with section 66 (1) of the Water Act, 2016 the Cabinet Secretary Ministry of Water and Sanitation shall appoint the Chairman of the Board and Board Members. A Board Member's term can be terminated if;

- Serves the Cabinet Secretary with a written notice of resignation; or
- Is absent, without the permission of the chair person for three consecutive meetings; or

- Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding two thousand shillings; or
- Is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or
- Conducts himself in a manner deemed by the Cabinet Secretary to be inconsistent with membership of the Board.

ROLE AND FUNCTION OF THE BOARD

The functions of the Board are to:

- i. Determine TWWDA's mission, vision, purpose and core values;
- ii. Review, evaluate and approve, on a regular basis, long-term plans for TWWDA;
- iii. Review, evaluate and approve TWWDA's budget and financial forecasts;
- iv. Review and approve the operating and financial results of TWWDA;
- v. Ensure effective, accurate, timely and transparent disclosure of pertinent information on TWWDA's operations and performance;
- vi. Review, evaluate and approve the overall organizational structure, the assignment of senior management responsibilities and plans for senior management development and succession;
- vii. Review, evaluate and approve the remuneration structure of TWWDA;

INDUCTION AND TRAINING

The Agency has an induction programme for newly appointed Board members. When appointed, Board members are provided with an effective induction programme in order to familiarize them with their responsibilities as Board members, general principles of governance and Board practices. The induction programme also provide the Board member with an orientation of the Agency, strategic plans, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics and applicable policies. The induction shall entail meetings with senior management and visits to TWWDA'S water infrastructure facilities.

There was an inauguration ceremony of the Water Works Development Agencies on 10th May 2019 at Ministry headquarters followed by an induction of Board Members by the Ministry of Water and Sanitation on 23rd – 25th May 2019 and thereafter, an induction training on Mwongozo Code of Governance by State Corporation Advisory Committee (SCAC) from 24th to 26th June 2019.

BOARD MEMBERS PERFORMANCE

The Mwongozo code of Governance requires the performance of Board Members of State Corporations to be evaluated by SCAC at the end of every year of service. The Agency complies with this requirement and a performance evaluation is carried out in conjunction with SCAC for the Board, individual Board Member, Chairperson and CEO.

CONFLICT OF INTEREST

Board members are required to avoid conflict of interest between their private activities and their part as Board Members in the conduct of the business of the Agency as specifically provided in the Code of Conduct and Ethics and the Mwongozo Code of Governance. In this regard, the Agency maintains conflict of interest registers which Board Members declare any conflict of interest before commencement of all meetings.

BOARD REMUNERATION

The remunerations of Board Members are based on circulars issued by the State Corporation Advisory Committee from time to time. The remuneration include; sitting allowance, accommodation allowance, lunch allowance, mileage allowance, chairman honoraria and airtime allowance. The allowances are subject to the applicable income tax laws. In addition, the independent Board Members have an insurance cover which include Medical cover, Group Personal Accident and Last Expense

ETHICS AND CONDUCT

Board members have a duty to act ethically at all times and in accordance with the Board Charter and in line with their fiduciary duty to act honestly and in the best interests of TWWDA. Towards this end, all the Board Members signed a Code of Conduct and Ethics in line with the Mwongozo Code of Governance.

GOVERNANCE AUDIT

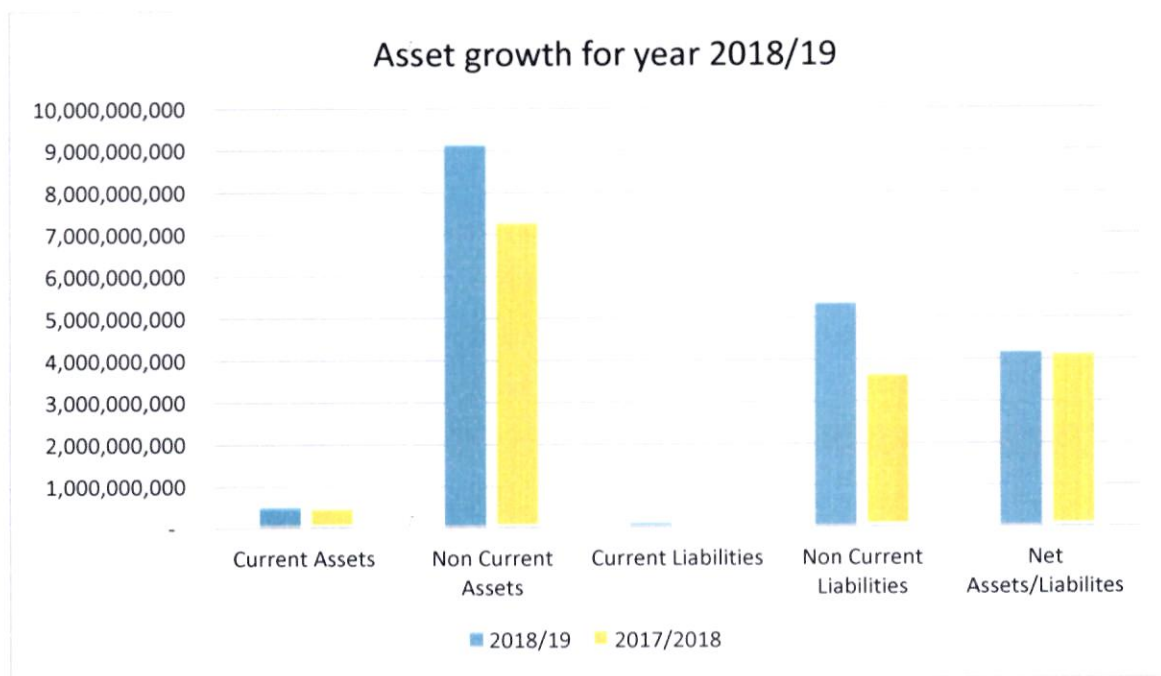
The Mwongozo code of Governance requires SCAC in conjunction with the Institute of Certified Secretaries (ICS) to conduct Governance Audit on an annual basis. The Agency has complied with the provision of the Mwongozo Code of Governance for State Corporations

VII. MANAGEMENT DISCUSSION AND ANALYSIS

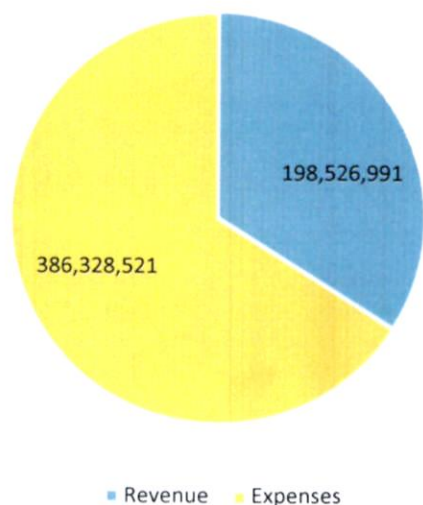
The Agency's Operational and Financial Performance

The Agency continued to adopt Performance Contract Management Approach in line with the Government Reforms initiatives. This approach improved the utilization of available resources leading to better service delivery and better value for money in the Agency activities.

In addition, during 2018/2019 financial year, the Agency has continued to maintain constructive engagements with Development Partners and Stakeholders to support the rehabilitation and augmentation of the existing water and Sewerage services infrastructure and to initiate new schemes to increase coverage in line with Vision 2030.



Revenue Vs Expenditure 2018/19



The increase in expenses is attributed to increase in depreciation due to capitalization of completed projects

Entity's compliance with statutory requirements

Tana Water Works Development Agency is compliant to its statutory obligations. These include: PAYE and Withholding tax, NHIF, NSSF, Loan deductions and Pension among others. As at 30 June 2019, all statutory deductions had been remitted to the relevant bodies.

Key projects and investment decisions TWWDA is planning /implementing

Tana Water Works Development Agency, guided by its Strategic Plan 2018-2022, has prioritized areas that require intervention, improvement and expansion of existing water and Sanitation infrastructure.

In the Financial Year 2018/2019 the Agency maintained active engagement with the already established alliances with development partners to enhance resource mobilization for expanding the water and sanitation infrastructure to the un-served areas. The Agency has commenced implementation of Kerugoya-Kutus Water and Sewerage Infrastructure, Chuka Water Supply and Sewerage Infrastructure, Chogoria Water and Sewerage Infrastructure and Meru Sewerage Infrastructure.

In addition TWWDA in conjunction with NWWDA is implementing Marsabit Water Supply and Sanitation Infrastructure, Mandera Water Supply and Sanitation Infrastructure, Garissa Town Water Supply and Sewerage Infrastructure and Isiolo Town Water Supply and Sewerage Infrastructure.

In the Financial Year 2018/2019, the National Government has provided budgetary allocations to support construction of the following programmes and projects;

- Rehabilitation of Water Supply Infrastructure
- Water for Schools Programme
- Drought Intervention Programme

Major risks facing TWWDA

In undertaking its activities, TWWDA is exposed to risks in terms of threats and potential loss of opportunities which can affect its operations. Several risks were identified and their mitigation measures considered. The Agency maintains risk registers which are monitored and reviewed from time to time.

The Agency's risk management strategy recognizes the various risks the Agency is exposed to including operational risk, credit risk, liquidity risk and political risk. This is based on a clear understanding of the risk and the continuous risk assessment, measurement and monitoring.

Operational Risk

Operational risk is the exposure to the Agency that could arise as a result of failure or deficiencies related to system, process and people. To mitigate the operational risk the Agency has strengthened the internal systems and processes, strengthen staff capacity, insurance against the risks and has disaster management plan.

Credit Risk

Credit risk is the risk that the borrower is unable to meet his financial obligations to the lender. The Agency's credit risk is attributable to its cash and cash equivalent and trade receivable.

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet the Agency's obligations. The Agency manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk.

Material arrears in statutory/financial obligations

The Agency had pending bills amounting to KES. 500,000,000 as at the end of financial year 2018/2019. The Agency has engaged the relevant stakeholders to settle the pending bills to be compliant with the presidential directive dated 1st June 2019

The entity's financial probity and serious governance issues

There were no financial improbity and governance issues reported during the financial year 2018/2019.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Agency acknowledges its responsibility to society in its capacity as a corporate citizen. Consequently, it endeavours to play an active role in national and regional matters as per its mandate besides contributing to various worthy causes. In the financial year under review, the Agency continued to offer technical advice and support to different stakeholders in the water sector, particularly the county governments to facilitate access to safe and clean water in adequate quantities.

In line with the constitution, and the Presidential directive the Agency planted 7000 indigenous trees in Kangaita forest station in Kirinyaga County to increase the tree forest cover to ensure sustainable source of water for the projects being implemented in Kirinyaga County.

TWWDA conducted a sensitization workshop on prevention of HIV/AIDS infection and wellness and Disability Mainstreaming on 30th January 2019 and 16th May 2019 respectively for all TWWDA staff, WSPs staff and County Government staff within the Agency's area of jurisdiction

IX. REPORT OF THE BOARD MEMBERS

The Board Members submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Agency's affairs.

Principal activities

The principal activities of the Agency continue to be:-

1. Undertake the development, maintenance and management of the national public waterworks within its area of jurisdiction;
2. Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of the waterworks are handed over to a

county government, joint committee, authority of county governments or water services provider within whose area of jurisdiction or supply the waterworks is located;

3. Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee;
4. Provide technical services and capacity building to such county governments and water services providers within its area as may be requested; and
5. Provide to the Cabinet Secretary technical support in the discharge of his or her functions.

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1.

Board Members

The members of the Board who served during the year are on page viii to xi. During the Financial Year, four Board Members' terms expired, the Chairperson of the Board and five independent Board Members were appointed to the Board with effect from on 7th February 2019 vide gazette notice No. 1247. However, TWWDA was legally formed on 26th April 2019 vide legal notice No. 27.

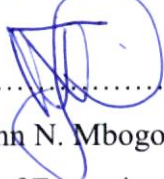
Dividends/Surplus remission

TWWDA is a non-commercial semi-autonomous government entity and therefore did not make any surplus during the FY 2018/2019 hence there was no remittance to the Consolidated Fund.

Auditors

The office of the Auditor General is responsible for the statutory audit of the Agency in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board



.....
Eng. John N. Mbogori

Ag. Chief Executive Officer

Date:.....20-08-2019.....

X. STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Board Members to prepare financial statements in respect of the Board, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Board Members are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Board Members are also responsible for safeguarding the assets of the Agency.

The Board Members are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:


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

The Board Members accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act 2012 and the State Corporations Act. The Board Members are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2019, and of the Agency's financial position as at that date. The Board Members further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board Members to indicate that the Agency will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Agency's financial statements were approved by the Board on 20th August 2019 and signed on its behalf by:



Board Member

Board Member

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TANA WATER WORKS DEVELOPMENT AGENCY (FORMERLY TANA WATER SERVICES BOARD) FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tana Water Works Development Agency (formerly Tana Water Services Board) set out on pages 1 to 33, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Tana Water Works Development Agency as at 30 June, 2019 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Water Act, 2016.

Basis for Qualified Opinion

1.0 Inaccuracies in the Statement of Financial Position

The statement of financial position reflects total assets of Kshs.8,493,418,091 against total liabilities of Kshs.4,341,071,694 leading to an unreconciled and unexplained variance of Kshs.4,152,346,397 as at 30 June, 2019.

Consequently, the statement of financial position is not fairly presented.

2.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position and as disclosed in Note 21A to the financial statements reflects non-current assets balance of Kshs.8,047,503,805 as at 30 June, 2019. However, the following inaccuracies were noted: -

- i. The Agency inherited non-current assets from the Ministry of Water and Irrigation and National Water Conservation and Pipeline Corporation. These included land and building (Maji House Nyeri), water and sewerage infrastructure assets of unknown value spread within the Agency's area of operation, fifteen motor vehicles and various District Water Offices of unknown value. The inherited assets have not been incorporated in the Boards financial statements for the year ended 30 June, 2019.
- ii. The motor vehicles' net book value of Kshs.8,752,191 as at 30 June, 2019 includes the value of four motor vehicles still bearing GK registration numbers which have not been transferred and registered in the Agency's name. Further, the motor vehicles' net book value excludes seven grounded vehicles of unknown values and which have not been used by the Agency for several years. No explanation was provided for failure to include these motor vehicles in the assets register and financial statements.
- iii. The balance includes an amount of Kshs.26,252,205 in respect of Kiambere-Mwingi Water Supply Project which is under the jurisdiction of Tanathi Water Works Development Agency but whose initial development cost was borne by Tana Water Services Board. The Agency continues to reflect as assets the cost of these assets in its books. Management did not provide evidence of transfer of the project assets from Tana Water Works Development Agency to Tanathi Water Works Development Agency for audit verification.
- iv. The Agency completed the construction of Kiwaiguru water tank project in the 2015/2016 financial year. However, audit review revealed that though the land upon which the tank was built was voluntarily given to Tana Water Works Development Agency, the Agency is yet to obtain ownership title deed for the land.

Consequently, the accuracy, completeness, valuation and ownership of the property, plant and equipment balance of Kshs.8,047,503,805 as at 30 June, 2019 could not be confirmed.

3.0 Long Outstanding Board Administrative Fees

The statement of financial position and as disclosed in in Note 18 to the financial statements reflects receivables from non-exchange transactions balance of Kshs.344,725,481. Included in this balance is Kshs.340,516,207 relating to outstanding board administrative fees from various Water Service Providers dating

back to 2016. Management has not demonstrated efforts made to recover the receivables.

Consequently, the accuracy and fair statement of the receivables from non-exchange transactions balance of Kshs.344,725,481 as at 30 June, 2019 could not be confirmed and the recoverability of the receivables is in doubt.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Non-Compliance with Law on Ethnic Composition

Review of human resource records revealed that the Agency had seventy-seven employees out of which twenty-seven employees were on secondment from the Ministry of Water and the County Government of Nyeri. It was noted that sixty six percent (66%) of the employees were from one dominant ethnic community. This was contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which provides that all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Agency's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities

in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 January, 2022

XII
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

Revenue from non-exchange transactions	Notes	2018/2019	2017/2018
		Kshs	Kshs
Board's Administrative Cost fee	6	2,774,598	1,707,699
Government Grants	7	87,328,496	67,428,972
		90,103,094	69,136,671
Revenue from exchange transactions			
Finance Income - external investments		-	-
Other Income	8	2,581,990	4,978,962
		2,581,990	4,978,962
Total revenue		92,685,084	74,115,633
Expenses			
Use of Goods & Services	9	2,794,010	3,096,452
Employee Costs	10	55,150,817	52,281,403
Remuneration of Directors	11	7,166,405	8,666,885
Depreciation and Amortization expense	12	170,886,789	150,754,054
Repairs and Maintenance	13	5,294,682	9,790,185
Contracted Services	14	922,297	2,826,348
General Expenses	15	143,426,459	203,123,591
Finance Costs*	16	131,822	263,119
Total expenses		385,773,281	430,802,037
Surplus/(deficit) for the period - Note 4 (h) & Annex IV		(293,088,197)	(356,686,404)
Attributable to			
Surplus/(deficit) attributable to minority interest		-	-
Surplus/(deficit) attributable to owners of the controlling entity	29	(293,088,197)	(356,686,404)
		(293,088,197)	(356,686,404)

The notes set out on pages 8 to 35 form an integral part of these Financial Statements

* Finance costs relates to Bank charges



XIII

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Assets		2018/2019	2017/2018
Current assets		Kshs	Kshs
Cash and Cash Equivalents	17	97,927,542	36,976,424
Receivables from Non-Exchange Transactions	18	344,582,481	361,576,244
Inventories	19	177,224	304,555
Prepayments	20	3,227,039	3,346,139
		445,914,286	402,203,362
Non-Current Assets			
Property, Plant and Equipment	21A	6,578,696,303	5,716,064,232
Work In Progress	22	1,468,807,502	1,507,255,144
		8,047,503,805	7,223,319,376
Total Assets		8,493,418,091	7,625,522,738
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactio	23	69,290,556	14,629,776
		69,290,556	14,629,776
Non-Current liabilities			
Borrowings - ADF Loan	24(a)	3,373,390,407	3,373,390,407
Borrowings - ADB Loan	24(b)	898,390,731	190,896,105
		4,271,781,138	3,564,286,512
Total Liabilities		4,341,071,694	3,578,916,288
Net Assets			
Reserves	26	5,168,385,113	4,770,635,113
Accumulated Fund	27	(1,018,391,056)	(726,382,788)
ADB Loan repayment Fund	28	2,352,340	2,354,125
Total Net Assets and Liabilities		4,152,346,397	4,046,606,450

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board Members by:

.....
Ag. Chief Executive Officer
Name: Eng John N. Mbogori

.....
Head of Finance
Name : CPA. Nicholas Kanyeke
ICPAK Member Number: 4164

.....
Chairman
Name: Dr. Muthoni P. Nkoroi

Date... 20-08-2019

Date... 20-08-2019

Date... 20-08-2019



XIV

**STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30TH JUNE 2019**

	Accumulated surplus	Capital Reserves	ADB Loan Repayment Fund	Total
	Kshs	Kshs	Kshs	Kshs
At July 1, 2017	(368,197,293)	4,499,635,113	-	4,131,437,820
Surplus/(deficit) for the period	(356,686,404)			(356,686,404)
Transfers to/from accumulated surplus - Gratuity	2,338,609	-	-	2,338,609
ADB (WSBSP) Loan	-	-	2,354,125	2,354,125
Payment during the year - Gratuity	(3,837,700)	-	-	(3,837,700)
Capital Reserves	-	271,000,000	-	271,000,000
At June 30, 2018	(726,382,788)	4,770,635,113	2,354,125	4,046,606,450
Surplus/(deficit) for the period	(293,088,197)			(293,088,197)
Transfers to/from accumulated surplus - Gratuity	2,607,844	-	-	2,607,844
ADB (WSBSP) Loan	-	-	(1,785)	(1,785)
Payment during the year - Gratuity	(1,527,915)	-	-	(1,527,915)
Capital Reserves	-	397,750,000	-	397,750,000
At June 30, 2019	(1,018,391,056)	5,168,385,113	2,352,340	4,152,346,397

XV

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018/2019	2017/2018
Cash Flows from Operating Activities			
Receipts			
Board's Administrative Costs Fee	6	2,774,598	1,707,699
Government Grants	7	87,328,496	67,428,972
Other Income	8	2,581,990	4,978,962
Total Receipts		92,685,084	74,115,633
Payments			
Use of Goods and Services	9	2,794,010	3,096,452
Employee Costs	10	55,150,817	52,281,403
Remuneration to Directors	11	7,166,405	8,666,885
Depreciation and Amortization Expense	12	170,886,789	150,754,054
Repairs and Maintenance	13	5,294,682	9,790,185
Contracted Services	14	922,297	2,826,348
General Expenses	15	143,426,459	203,123,591
Finance Costs	16	131,822	263,119
Total Payments		385,773,281	430,802,037
Surplus/ (Deficit) for the year		(293,088,197)	(356,686,404)
Net Cash Flows from Operating Activities	25	(50,300,434)	(176,270,054)
Cash Flows from Investing Activities			
Purchase of Property, Plant, Equipment and Intangible Assets	21A	(1,033,518,860)	(360,249,897)
Work In Progress	22	38,447,642	(231,043,284)
Net Cash Flows used in Investing Activities		(995,071,218)	(591,293,181)
Cash Flows from Financing Activities			
Loan- ADB Kenya Towns Sustainable WS & SP	24	707,494,626	190,896,105
Interest on ADB Loan Repayment Fund		-	18,550
ADB (WSBSP) Loan Account receipts	28	(1,784)	2,335,575
Gratuity	27	1,079,929	(1,499,091)
Capital Reserves	26	397,750,000	271,000,000
Net Cash Flows used in Financing Activities		1,106,322,770	462,751,139
Net Increase/(Decrease) in Cash and Cash Equivalents		60,951,118	(304,812,097)
Cash and Cash Equivalents at 1 July 2018	17	36,976,424	341,788,521
Cash and Cash Equivalents at 30 June 2019	17	97,927,542	36,976,424



Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019

XVI

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Performance difference%	Performance difference Notes
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019		
	Kshs	Kshs	Kshs	Kshs	Kshs		
Revenue							
Board's Administrative Cost fee	21,178,000	-	21,178,000	15,764,067	(5,413,933)	-26%	Note 1
Government Recurrent Grants	89,728,496	(1,600,000)	88,128,496	87,328,496	(800,000)	-1%	
Other Income	1,550,000	-	1,550,000	2,581,990	1,031,990	67%	Note 2
Total Income	112,456,496	(1,600,000)	110,856,496	105,674,553	(5,181,943)		
Expenses							
Employee costs	63,337,000	-	63,337,000	55,150,817	8,186,183	13%	Note 3
Board Expenses	21,157,000		21,157,000	7,166,405	13,990,595	66%	Note 4
Operating/Administrative Expenses	80,494,000		80,494,000	80,363,412	130,588	0%	
Repairs and Maintenance	2,194,000		2,194,000	2,094,682	99,318	5%	
Finance Costs - Bank Charges	520,000		520,000	131,822	388,178	75%	Note 5
Provision for Bad & Doubtful Debts	-		-	3,925,804	(3,925,804)	0%	Note 6
ADB Kenya Towns Sustainable Water Supply and Sanitation	55,285,403		55,285,403	35,897,155	19,388,248	35%	Note 7
Drought Mitigation	47,000,000	-	47,000,000	30,156,394	16,843,606	36%	Note 8
Total Expenditure	269,987,403	-	269,987,403	214,886,491	55,100,912		
Surplus for the period	(157,530,907)	(1,600,000)	(159,130,907)	(109,211,938)	-		

Explanation of Performance Difference Notes

Note 1: The performance difference of (-) 26% is due to decreased income from WSPs following an advisory from WASREB (WASREB/LEGAL/582 VOL/32) to WSPs advising them not to be invoiced by the Agency since water Provision is a devolved function. In addition, County Governments directed WSPs not to remit Board Administrative Cost Fee.

Note 2: The performance difference of (+) 67% is due to Increase in other incomes due to increased revenue received from tender sales and sale of trees from the land acquired to construct Meru Sewerage and tender sales.

Note 3: The performance difference of (+) 13% is due to budgeted salaries for seconded staff from the County Governments/MWS whose services had not been transferred to the Agency during the reporting period

TANA WATER WORKS DEVELOPMENT AGENCY ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 4: The performance difference of (+) 66% is as a result of the Board not having a substantive Chairman therefore there being no Chairman's honoraria expenditure for 10 months and 4 Board Members terms expiring on 1st October 2018. In addition, the current Board members were appointed on 7th Feb 2019.

Note 5: The performance difference of (+) 75% is as a result of reduced cash withdrawal transactions following a management decision to effect payments of imprests/allowances by cheques.

Note 6: Provision for bad & doubtful debts of KES 3,925,804 is net of specific provision of KES 5,596,273 for receivable from Gichugu Water Co. and 10% General provision for bad and doubtful debts of KES (1,670,469).

Note 7: The performance difference of (+) 35% is as a result of delay in release of allocated funds

Note 8: The performance difference of (+) 36% is as a result of delay in release of allocated funds

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Tana Water Works Development Agency (TWWDA) formerly Tana Water Services Board (TWSB) was established under section 65 of the Water Act 2016 vide legal notice no. 27 of 26th April 2019. The Agency is a state corporation currently under the Ministry of Water & Sanitation.

The Agency's principal activity is to develop sustainable National Water and Sanitation Public Works within our area of jurisdiction that enhances socio-economic growth for our stakeholders.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Agency's accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Agency.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. The agency did not adopt revised/new/amendments standards effective for the year ended 30 June 2019 this was because the changes to the standard will have no impact on the Agency's operation

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018/2019.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Agency and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized:-

- **Grants**

Grant from Government and Development partners is recognized as capital reserves.

- **Board Administrative Costs Fees**

This relates to Water Service Providers (WSPs) share of Board administrative costs.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal amount outstanding and the effective interest rate applicable.

b) Budget information

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5-7 of these financial statements.

c) Taxation

The Agency is a non-commercial State Corporation established under the Water Act, 2016 Section 65 and is funded fully by the exchequer to implement National public Water and Sanitation Works on behalf of the National Government and therefore the operations of the Agency are not for profit and hence does not pay taxes.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Research and development costs

The Entity capitalises research and development costs on an individual project basis when it can be demonstrated that:

- The technical feasibility of completing the asset will be available for use
- Its intention to complete and its ability to use the asset
- the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

f) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through loans and borrowings.

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended 30 June 2019**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

g) Inventories

Inventories are stated at lower of cost and net realizable value.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary.

h) Provisions

Trade Debtors are recognized and carried at the net Board's Administrative costs fee less a general provision for bad and doubtful debts at 10% as at the balance sheet date. The general practice in the Industry reveals that revenue collection rate ranges between 90 – 95 % of the billing. However, this will be affected since WSPs in the Agency area are reluctant to remit the Board Administration cost fee as Water Provision Services is a devolved function.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

i) Nature and purpose of reserves

The Agency maintains and creates reserves in terms of specific requirements. The Agency maintains the following reserves;

- **Capital Reserves** – This relates to the development grants allocated by the government including the grants from development partners.
- **Deficit for the year** – This relates to expenses recognised in the statement of Financial Performance whose corresponding income is a grant reflected in the Capital Reserve Account.

j) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

k) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Gratuity Fund– This is a sinking fund set for the purposes of payment of senior management staff upon expiry of their employment contract. This is calculated at 31% of their basic salary as per their employment contracts.

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction.

m) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized upon completion of the acquiring or construction of the asset.

n) Related parties

The Agency regards the following as related parties:

- Water Companies under the Agency's jurisdiction who remits Board Administrative Costs Fee. During the Financial Year the Board Administrative Cost Fee was Kshs. 2,774,598.
- Government – The Agency gets Grants from the Government. During the Financial year the received Recurrent Grants amounting to Kshs. 87,328,496 and Development Grants amounting to Kshs. 370,750,000.
- Management – The Agency's management comprises of the Chief Executive Officer and Senior Managers. During the financial year the Management salaries amounted to Kshs.21,104,602.
- Board Members – During the financial year the Board expenses amounted to Kshs.7,290,345.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

Budget information

The original budget for FY 2018/2019 was approved by the Board Members on 16th January 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the Board. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5-7 of these financial statements.

p) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a reducing balance basis over the expected useful life of the assets. The annual rates of depreciation are as follows: -

Motor Vehicles, motor bikes and boats	25%
Furniture and Fittings	12.5%
Plant and Equipment	20%
Computer and Accessories	33.3%
Water Infrastructure/Schemes	2.5%

Amortization for Capital Grants

Capital grants relates to various assets which were donated by KWSP, GTZ and MWS at the formation of the Agency. Amortization is calculated on a reducing balance basis using the respective asset items annual rate as follows:-

Motor Vehicles and motor bikes	25%
Furniture and Fittings	12.5%
Computer and Accessories	33.3%

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended 30 June 2019**

- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The management made the following provisions in FY 2018/2019;

- General provision for bad and doubtful debts at 10%
- Specific Provision for Gichugu Water and Sanitation Trust Board Administrative Cost Fees and staff salaries debt.

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

6. Board Administrative Costs fee

	2018/19 Shs	2017/18 Shs
Board Administrative Costs fee* - Annex I	2,774,598	1,707,699
Total	2,774,598	1,707,699

* Board Administrative Cost Fees comprised of revenue collected from Kyeni Water Association KES 329,764, Murugi Mugumango Water Association KES 410,335 and Ngagaka Water and Sanitation Co. KES 2,034,499.

7. Transfers from other Governments

	2018/19 Shs	2017/18 Shs
Unconditional Grants		
GoK Recurrent Grants - Received by TWWDA	77,600,000	57,240,000
GoK Grants - Salaries paid to Seconded Staff	9,728,496	10,188,972
	87,328,496	67,428,972
Total Government Grants and Subsidies	87,328,496	67,428,972

7(b). Transfers from Ministry

Name of the Entity Sending the Grant	Amount Recognized in Statement of Comprehensive Income	Amount Recognized in Capital Reserve Fund	Total grant income during the year
	Kshs	Kshs	Kshs
Ministry of Water & Sanitation	193,170,403	291,908,093	485,078,496
Total	193,170,403	291,908,093	485,078,496

8. Other Income

	2018/19 Shs	2017/18 Shs
Sale of Tender Documents	432,000	446,000
Exhauster Services Charges*	1,110,640	2,321,806
Water Boozer Charges**	594,000	2,211,156
Sale of trees***	445,350	-
Total Other Income	2,581,990	4,978,962

*The decrease in Exhauster Service Charges is due to increased competition from the private enterprises.

** In the FY 2017/2018 high water bowser income was occasioned by landslides in Murang'a which affected the Water Supply in various parts of the County hence need for water trucking services to Institutions and residents this was not the case in FY 2018/2019.

*** This relates to sale of trees to clear the site for construction of Meru Sewerage ponds.

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

	2018/19 Shs	2017/18 Shs
9. Use of Goods and Services		
Electricity	750,901	865,680
Water*	51,879	173,755
Security	1,746,380	1,743,317
Professional and Subscription fees **	244,850	313,700
Use of Goods & Services	<u>2,794,010</u>	<u>3,096,452</u>

*The decrease in water cost is due to payment of water bill by the County Government of Nyeri - department of Water whom we share the water connection.

** In FY 2017/2018 the subscription fees for Federation of Kenya Employers was paid in arrears which is not the case in 2018/2019.

10. Employee Costs

	2018/19 Shs	2017/18 Shs
Salaries and Wages*	32,775,773	31,235,637
Contributions to Pension*	1,224,122	1,194,564
Commuter Allowances*	2,445,600	2,370,000
Housing Allowances*	6,974,456	6,844,290
NSSF-Employer Contribution	48,400	43,200
Gratuity	2,607,844	2,338,609
Leave Allowance**	1,562,806	533,962
Salary Top Ups	7,511,816	7,721,141
Employee costs	<u>55,150,817</u>	<u>52,281,403</u>
Staff Establishments	76	79

* Salaries, wage, pension, commuter allowance and house allowances increased due to annual increment, adjustment to attain minimum wage increase and payment to staff on internship.

** Leave allowance increased due to adoption of the approved HR policy for paying leave allowance equal to the basic salary rather than 1/3 of basic salary

The staff costs include salaries amounting to Kshs.9,728,496 paid by the County Government of Nyeri, Murang'a and the Ministry of Water and Sanitation directly to 26, 1, 1 staffs respectively seconded to TWWDA.

11. Remuneration of Directors

	2018/19 Shs	2017/18 Shs
Chairman's Honoraria*	100,000	-
Sitting Allowance, Accommodation & Travel**	6,918,772	8,095,500
Directors Medical & GPA Insurance***	147,633	571,385
Total Board Expense	<u>7,166,405</u>	<u>8,666,885</u>

* In 2017/2018 the Agency did not have a substantive chairman of the Board. In 2018/2019 chairmans honororia is only for two months (May and June 2019) since the Board chairman was appointed in February 2019 but TWWDA was gazetted in the month of May 2019

** The decrease in sitting allowance & accommodation is due to lapse of terms of 4 Board members on 1st October 2018. New board members were appointed on 7th February 2019 but commenced business in May 2019 when TWWDA was gazetted.

***Directors medical and GPA Insurance relate to the prepayments of the FY 2017/2018 for the months of July to September and an amount paid for retiring Board Members from 25th Sept 2018 to 1st Oct 2018

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

12. Depreciation and Amortization Expense

	2018/19 Shs	2017/18 Shs
Property, Plant and Equipment	170,886,789	150,754,054
Total Depreciation and Amortization	170,886,789	150,754,054

13. Repairs and Maintenance

	2018/19 Shs	2017/18 Shs
Property	708,330	1,302,901
Computer	1,186,255	5,432,962
Vehicles*	3,400,097	3,054,322
Total Repairs and Maintenance	5,294,682	9,790,185

**The increase in repairs and maintenance cost for vehicles is due to increased activity resulting from the implementation of ADB funded projects. In addition, TWWDA vehicles are aged.*

14. Contracted Services

	2018/19 Shs	2017/18 Shs
Consultancy	922,297	2,826,348
Total Contracted Services*	922,297	2,826,348

**This relates to contracted services costs incurred during the reporting period. However there is pending legal fees of KES 6,927,239.76 which relates to contingent liabilities for litigations which were continuing and had not yet been concluded and determined as at 30th June 2019*

15. General Expenses

The following are included in General Expenses:

	2018/19 Shs	2017/18 Shs
Advertising & Publicity	1,127,315	1,319,250
ASK Show Costs *	1,420,700	448,560
Audit fees	580,000	558,000
Conferences and Meetings **	1,808,700	870,400
Consumables - Office & House Keeping	1,834,920	2,288,298
Fuel and lubricants***	6,276,535	5,648,030
Staff Insurances - Medical & Group Life	10,539,303	10,448,604
Work Injury and Staff GPA	347,718	434,195
Property Insurance	52,905	50,753
Sub Total	23,988,096	22,066,090

** ASK Show costs increased due to the cost incurred by the Agency during Water Services Providers Association exhibition and World Water Day celebration in Nairobi and Kakamega respectively*

***This relates to training on management skills, supervision and financial management, information security management course, fraud and investigation at Kenya School of Government, Kenya Bureau of Standards and Institute of Internal Auditors.*

****Fuel and lubricant cost increased due to increased activities during supervision of the Construction of Dams and implementation of the ADB funded projects.*

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

	2018/19	2017/18
	Shs	Shs
Motor Vehicle Insurances	2,192,470	2,533,487
Travelling & Subsistence	19,857,127	22,719,170
Foreign Travel*	2,931,063	-
Postage and Courier	141,525	165,872
Printing and stationery**	6,837,428	4,592,168
Cleaning costs and Ground Maintenance	419,000	449,800
Telecommunication/Telephone	1,871,252	2,244,340
Training ***	1,089,960	539,500
Internet and Networking	462,780	417,600
Computer Stationery and Accessories****	5,044,721	4,009,530
Library	440,760	427,620
Catering Services	2,725,304	2,794,090
Staff Welfare	1,620,550	1,676,410
Workshop & Seminars	4,384,678	5,882,890
Laboratory Materials & Equipments*****	101,016	-
Drugs & dressings	-	5,600
Exhauster Services Costs	2,085,075	1,867,915
Water Boozer Costs	537,470	1,101,312
ISO 9000 QMS and Transition to ISO 9001:2015 QMS*****	1,348,760	4,685,880
ADB GoK Counterpart Expenses - Murang'a Bulk	50,000	439,862
ADB GoK Counterpart Expenses - Small Towns	140,200	2,574,973
Feasibility Study*****	77,700	-
Computer Software licences & Maintenance	1,388,493	2,392,128
Centralised Billing Stationeries	-	112,100
Sub Total	55,747,332	61,632,247

*Foreign Travel relates to Cost of travel by 2 members of staff to Zambia to attend East and South Africa Accountant General Conference and one member of staff attended a world Water Technology Innovation Summit in London.

** The increase in the cost of printing and Stationery is related to the cost of printing Tender documents for the ADB Funded Projects, Water Harvesting and Water for Schools.

***This relates to training on management skills, supervision and financial management, information security management course, fraud and investigation at Kenya School of Government, Kenya Bureau of Standards and Institute of Internal Auditors.

****The increase in the cost of Computer Stationery is related to the cost of Catridges and toners for printing of Tender documents for the ADB funded projects, Water Harvesting and Water for School.

***** Laboratory Materials and Equipment relates to payments to Kenya Bureau of Standards for calibration of laboratory equipments

***** The cost of ISO 9000 QMS and Transition to ISO 9001:2015 QMS was higher in FY 2017/2018 as a result of training staff on the requirement of ISO 9001:2015 and training of ISO auditors. In FY 2018/2019 the Agency has been implementing the ISO 9001:2015 hence lower costs.

***** Feasibility study relates to Nkubu Water Supply and Sewerage project

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

	2018/19	2017/18
	Shs	Shs
General Prov. Bad and Doubtful debts	(1,670,469)	(2,237,232)
Specific Prov. Bad and Doubtful debts *	5,579,273	2,640,082
Engineering Designs & Plans		1,832,800
WASREB	79,102	-
Drought Mitigation Intervention	21,856,394	76,509,348
ADB GoK Counterpart Expenses - Kenya Towns	35,897,155	40,680,256
Sustainable Water Supply & Sanitation		
Sagana Restoration Project expenses**	1,774,576	
Corporate Social Responsibility***	175,000	-
	63,691,031	119,425,254
Total General Expenses	143,426,459	203,123,591

*These relates to specific provision for Gichugu Water Company. The WSP was disintegrated into independent water schemes that are not financially sustainable and therefore are unable to settle the debt.

** Sagana restoration project relates to the preliminary costs for project sensitization and the cost of carrying out hydrological survey.

*** This relates to the cost of planting 7000 trees. This is 2018/2019 performance contracting target under the presidential directive category

16. Finance Costs

	2018/19	2017/18
	Shs	Shs
Bank Charges	131,822	263,119
Total Finance Costs	131,822	263,119

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

21 A. Property, Plant and Equipment

	Land and Buildings	ADB Project	Water Infrastructure	Kahuti Scheme	Motor Vehicles	Furniture and Fittings	Plant and Equipment	Computers and Printers	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 July 2017	29,504,879	3,720,307,400	2,230,313,723	17,770,088	90,540,030	5,417,384	10,287,572	35,882,301	6,140,023,377
Additions	29,726,058	-	329,563,049	-	-	37,500	-	923,290	360,249,897
Disposals	-	-	-	-	-	-	-	-	-
Transfers/adjustment	-	-	-	-	-	-	-	-	-
At 30 June 2018	59,230,937	3,720,307,400	2,559,876,772	17,770,088	90,540,030	5,454,884	10,287,572	36,805,591	6,500,273,274
Additions	26,007,395	-	1,006,342,191	-	-	137,250	-	1,032,024	1,033,518,860
Disposals	-	-	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-	-	-
At 30 June 2019	85,238,332	3,720,307,400	3,566,218,963	17,770,088	90,540,030	5,592,134	10,287,572	37,837,615	7,533,792,134
Depreciation and impairment									
At 1 July 2017	-	270,390,054	240,612,513	4,319,527	74,980,579	3,358,798	7,945,496	31,848,021	633,454,988
Depreciation	-	86,247,934	57,981,607	336,264	3,889,863	259,448	468,415	1,570,523	150,754,054
Impairment	-	-	-	-	-	-	-	-	-
At 30 June 2018	-	356,637,988	298,594,120	4,655,791	78,870,442	3,618,246	8,413,911	33,418,544	784,209,042
Depreciation	-	84,091,735	81,690,621	327,857	2,917,397	237,431	374,732	1,247,016	170,886,789
Disposals	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-	-	-
At 30 June 2019	-	440,729,723	380,284,741	4,983,648	81,787,839	3,855,677	8,788,643	34,665,560	955,095,831
Net book values									
At 30 June 2019	85,238,332	3,279,577,677	3,185,934,222	12,786,440	8,752,191	1,736,457	1,498,929	3,172,055	6,578,696,303
At 30 June 2018	59,230,937	3,363,669,412	2,261,282,652	13,114,297	11,669,588	1,836,638	1,873,661	3,387,047	5,716,064,232

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

21 B. Amortization of Capital Grant

	Motor Vehicles	Furniture and Fittings	Computers and Accessories	Total
Cost	Shs	Shs	Shs	Shs
At 1 July 2017	9,506,000	984,960	2,769,822	13,260,782
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30 June 2018	9,506,000	984,960	2,769,822	13,260,782
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer/adjustments	-	-	-	-
At 30 June 2019	9,506,000	984,960	2,769,822	13,260,782
Amortization				
At 1 July 2017	9,204,885	794,690	2,748,367	12,747,942
Amortization	75,279	23,784	7,151	106,214
Impairment	-	-	-	-
At 30 June 2018	9,280,164	818,474	2,755,518	12,854,156
Amortization	56,459	20,811	4,768	82,038
Disposals	-	-	-	-
Impairment	-	-	-	-
Transfer/adjustment	-	-	-	-
At 30 June 2018	9,336,623	839,285	2,760,286	12,936,194
Net book values				
At 30 June 2019	169,377	145,675	9,536	324,588
At 30 June 2018	225,836	166,486	14,304	406,626

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

22. Work In Progress	2018/19	2017/18
	Shs	Shs
Refurbishment of Maji House	4,270,210	4,270,210
Mathira Community Water Projects	254,486,646	246,133,639
Ndia Karuiru Water Project	400,000	-
Kamumu Dam	6,518,287	6,467,587
Rupingazi Dam	1,115,516	1,115,516
Thambana Dam	1,115,514	1,115,514
Maua Water Supply Distribution Network, Sewerage & Drainage System.	-	753,481,345
Mwea Makima	-	14,618,502
Drought Mitigation	-	42,556,479
Imenti Central Water Project	960,000	-
Iraru Dam	29,500	-
Kathita Dam	2,020,237	2,004,504
Mariara Dam	514,420	514,420
Ura Dam	32,182,822	1,905,161
Kabiru-ini Water Project	-	18,158,584
Githanga Borehole	-	1,915,700
Thangatha Dam	-	2,226,169
Kianjuri Dam	54,119,071	9,629,455
Karia-ini Dam	-	18,931,132
Marania Dam	821,400	821,400
Mukurwe-ini Water Project	17,969,075	1,378,667
Small Dams and Pan	3,470,092	-
Kamwene Water Project	537,250	-
Water for Schools	771,676	-
Sub-total	381,301,716	1,127,243,984

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

ADF Loan - Small Towns & Rural Water Supply & Sanitation Projects	2018/19	2017/18
	Shs	Shs
Water Meters	108,257,280	108,257,280
Pipes and Fittings	80,857,775	80,857,775
Sub-total	189,115,055	189,115,055

ADB Loan - Kenya Towns Sustainable Water Supply & Sanitation Projects Tana Water Works Development Agency		
Consultancy Services	123,063,790	115,175,790
Works	100,027,889	-
Sub Total	223,091,679	115,175,790

Northern Water Works Development Agency		
Consultancy Services	123,275,600	75,720,315
Works	552,023,452	
Sub Total	675,299,052	75,720,315
Total ADB -Kenya Towns	898,390,731	190,896,105
Total Work In Progress	1,468,807,502	1,507,255,144

	2018/19	2017/18
	Shs	Shs
23. Trade and Other Payables from Exchange Transactions		
Trade payables - Annex III	39,290,556	14,629,776
Short term loan - Mewass*	30,000,000	-
Total Trade and Other Payables	69,290,556	14,629,776

* The Agency was advanced KES 30 Million by Meru Water and Sewerage Services to acquire land for construction of Meru Sewerage Infrastructure

24. Borrowings

24(a). ADF Loan No. 2100150015546 ID No. P-KE-E00-005

	2018/19	2017/18
ADF Loan - Water Services Board Support Projects	Shs	Shs
(i) Loan Revenue - Special Account	15,903,200	15,903,200
(ii) Direct Payments	1,436,972,129	1,436,972,129
External borrowings during the year	-	-
Repayment of external borrowings during the year	-	-
Balance at the end of the period	1,452,875,329	1,452,875,329

The total Borrowings are non-current liabilities. The purpose of the loan was for infrastructure development and the security is The National Treasury. The loan was rendered at an interest rate of 3% per annum over a period of 30 years including a grace period of 5 years. The grace period of 5 years is from the date of completion of the Projects and the Projects were completed in December 2013.

ADF Loan - Small Towns & Rural Water Supply & Sanitation Projects No. 2100150021543 ID. No. P-KE-E00-007

Balance at the beginning of the period;		
(i) Loan Revenue - Special Account	24,710,700	24,710,700
(ii) Direct Payments	1,895,804,378	1,895,804,378
External borrowings during the year	-	-
Repayment of external borrowings during the year	-	-
Balance at the end of the period	1,920,515,078	1,920,515,078
Total ADF Loan	3,373,390,407	3,373,390,407

The total Borrowings are non-current liabilities. The purpose of the loan was for infrastructure development and the security is The National Treasury. The loan was rendered at an interest rate of 3% per annum over a period of 30 years including a grace period of 5 years. The grace period of 5 years is from the date of completion of the Projects and the Projects were completed in December 2015.

24(b). ADB Loan No. 2000200000501 Project No. P-KE-E00-011

ADB Kenya Towns Sustainable Water Supply & Sanitation Program

1. Tana Water Works Development Agency

Balance at the beginning of the period;	115,175,790	-
External borrowings during the year	107,915,889	115,175,790
Repayment of external borrowings during the year	-	-
Balance at the end of the period	223,091,679	115,175,790

2. Northern Water Works Development Agency

Balance at the beginning of the period;	75,720,315	-
External borrowings during the year	599,578,737	75,720,315

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

	2018/19 Shs	2017/18 Shs
Repayment of external borrowings during the year	-	-
Balance at the end of the period	675,299,052	75,720,315
Total ADB Loan	898,390,731	190,896,105
Less: Total Current Portion of Bank Loans	-	-
Total Non-Current Borrowings (ADF loan +ADB Loan)	4,271,781,138	3,564,286,512

25. Cash Generated from Operations

	2018/19 Shs	2017/18 Shs
Surplus for the year before tax	(293,088,197)	(356,686,404)
Adjusted for:		
Depreciation	170,886,789	150,754,054
Working capital adjustments:		
Increase/Decrease in inventory	127,331	2,105
Decrease in receivables	16,993,763	20,670,303
Decrease in payables	54,660,780	9,517,250
Decrease in Prepayments	119,100	(527,362)
Net cash flows from operating activities	(50,300,434)	(176,270,054)

26. Capital Reserves

	2018/19 Shs	2017/18 Shs
Balance b/f	4,770,635,113	4,499,635,113
GoK Development Grants	323,750,000	210,000,000
NRW Intervention	-	10,000,000
Water for Schools	27,000,000	-
Drought Mitigation	47,000,000	51,000,000
	5,168,385,113	4,770,635,113

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

	2018/19	2017/18
	Shs	Shs
27. Accumulated Fund		
Balance Brought Forward	(726,382,788)	(368,197,293)
Surplus/Deficit for the Period	(293,088,197)	(356,686,404)
Amortisation of capital grant	82,038	106,214
Capital Grant b/f	(406,626)	(512,840)
Gratuity Fund	1,079,929	(1,499,091)
Capital Grant	324,588	406,626
	<u>(1,018,391,056)</u>	<u>(726,382,788)</u>
28. ADB Loan Repayment Fund		
Balance Brought Forward	-	-
Murang'a South	2,000,000	2,000,000
Kahuti	338,640	338,640
Interest Income	18,550	18,550
Bank charges	(4,850)	(3,065)
	<u>2,352,340</u>	<u>2,354,125</u>
29. Deficit Analysis		
Depreciation for the period*	170,886,789	
Specific Provision*	5,596,273	
General Provision (Decrease)*	(1,670,469)	
	<u>174,812,593</u>	
Expensed Project Administrative Expenses/Costs.**	105,286,135	
Administrative arrears***	12,989,469	
	<u>293,088,197</u>	

* These are non-cashflow items included in the Statement of Financial Performance.

** This relates to project administrative expenditures incurred and expensed during the reporting period.

***These relate to expences paid from arrears collected from WSPs during the reporting period and utilized to finance FY2018/2019 expenditures. These incomes were accounted for in the previous accounting periods.

30. FINANCIAL RISK MANAGEMENT

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Agency's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Agency has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the Board Members. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Agency's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total Amount (Kshs)
As at 30 June 2019	
Bank balances	97,927,542
Receivables from Non Exchange Transactions	344,725,481
As at 30 June 2018	
Bank balances	36,976,424
Receivables from Non Exchange Transactions	361,576,244

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Board Members set the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Agency's Board Members, who have built an appropriate liquidity risk management framework for the management of the Agency's short, medium and long-term funding and liquidity management requirements. The Agency manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the Agency under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	21,453,132	455,481	17,381,942	39,290,556
Total				
At 30 June 2018				
Trade payables	604,541	389,980	13,635,254	14,629,775
Total	22,057,673	845,461	31,017,196	53,920,331

(iii) Market risk

The Agency has put in place an Internal Audit Function to assist it in assessing the risk faced by TWWDA on an on-going basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Agency's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Governance Committee.

The Agency's Management is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Governance Committee) and for the day to day implementation of those policies.

There has been no change to the Agency's exposure to market risks or the manner in which it manages and measures the risk.

iv) Capital Risk Management

The objective of the Agency's capital risk management is to safeguard the Agency's ability to continue as a going concern. TWWDA capital structure comprises of the following funds:

	2018-2019	2017-2018
	Kshs	Kshs
Accumulated Fund	(1,018,391,056)	(726,382,788)
Capital reserve	5,168,385,113	4,770,635,113
ADB Loan Repayment Fund	2,352,340	2,354,125
Total funds	4,152,346,397	4,046,606,450
Total borrowings	4,341,071,694	3,578,916,287
Less: cash and bank balances	97,427,542	36,976,424
Net debt/(excess cash and cash equivalents)	4,243,644,152	3,542,968,202
Gearing	97.8%	88.4%

31. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to Tana Water Works Development Agency include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the Principal shareholder of TWWDA, holding 100% of the Agency equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of TWWDA, both domestic and external. Other related parties include:

- i) The National Treasury and Planning
- ii) The Ministry of Water and Sanitation;
- iii) Board Members
- iv) Key Management Staff

Transactions with related parties

Particulars	2019	2018
A. Grants from Government		
GoK Recurrent Grants	87,328,496	67,428,972
GoK Development Grants	397,750,000	271,000,000
Donations in Kind	-	-
Total	485,078,496	338,428,972
B. Key Management Compensation		
Board Members Allowances	7,151,183	8,666,885
Compensation to the CEO	7,935,200	6,887,200
Compensation to the Key Management	13,169,402	12,178,552
Total	28,255,785	27,732,637

32. Events after the reporting period

There were no material adjusting and non-adjusting events after the reporting period.

33. Ultimate and Holding Entity

The entity is a State Corporation under the Ministry of Water and Sanitation. It's ultimate parent is the Government of Kenya.

34. Currency

The Financial Statements are presented in Kenya Shillings (Kshs.)

**Tana Water Works Development Agency
Annual Report and Financial Statements
for The Year Ended 30 June 2019**

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR
RECOMMENDATIONS**

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

Reference No on the external audit report	Issue/Observations from Auditor	Management comments	Focal point person to resolve the issue	Status	Time frame
	<p>1. Non- Current Assets 1.1 Inherited Assets The statement of Financial Position reflects non-current assets balance of Kshs. 7,223,319,376 as at 30 June 2018. However, as previously reported, the Board inherited a number of non-current assets previously owned by the Ministry of Water and National Water Conservation and Pipeline Corporation, which have not been incorporated in the Board's financial statements for the year ended 30 June 2018. These assets include land and building (Maji House Nyeri), Water and Sewerage infrastructure assets of unknown value spread within its jurisdiction and fifteen motor vehicles and District Water Offices of unknown value. Further, as similarly noted in the previous year, the assets net book values of Kshs. 11,669,588 as at 30 June 2018 disclosed under note 21A to financial statements include the value of four motor vehicles still bearing G.K registration numbers and which have not been transferred to the Board's name.</p>	<p>The former MWI and NWC&PC transferred assets to TWSB that were handed over to Water Service Providers. These assets have not been included in the financial statement because although the MWI contracted a consultant to undertake the valuation of assets and eventually handed over the draft valuation report, the value stated in the valuation report has not been formally agreed upon by the WSPs because some assets were not reflected in the valuation report. For this reason, the management of TWSB has not officially tabled the report to the Board of Directors for adoption so that the assets can be included in the financial statements of the Board. It is important to note that the initial transfer plan has already expired. However, the MWS is</p>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>TWSB is a waiting for official communication from MWS on the implementation of the transfer plan.</p>	<p>Immediately once the communication from the parent Ministry on the implementation of transfer plan is received.</p>

**Tana Water Works Development Agency
Annual Report and Financial Statements
for The Year Ended 30 June 2019**

		<p>mandated to gazette the revised transfer plan and guide the water institutions on the road map towards its implementation. TWSB is therefore waiting for official communication from MWS on the implementation of the transfer plan. In addition as indicated above the valuation report has not been formally agreed upon and some assets are not reflected in the valuation report leading to the exclusion of some assets in the Boards financial statements. However, the Board has made effort by requesting the Ministry of Water and sanitation to have the motor vehicles transferred to the Board</p>			
	<p>1.2 Grounded Motor Vehicles The motor vehicle net book value balance of Kshs 11,669,588 as at 30 June 2018 excludes the seven grounded vehicles of unknown values and which have not been used by the Board for several years. No explanation was provided for failure to include these Motor vehicles in the asset register and financial statements. Consequently, the completeness and accuracy of motor vehicles balance of Kshs 11,669,588 as at 30 June 2018 could not be confirmed</p>	<p>All the grounded motor vehicles are included in the Board Asset Register as at 30 June 2018. Except the value of the vehicles with GK registration, the values of the other vehicles are included in the motor vehicle balance of Kshs.11,669,588 as at 30 June 2018.</p>	<p>Eng M.M. Naivasha - Chief Executive Officer</p>	<p>TWSB is a waiting for official communication from MWS on the value of GK registered vehicle</p>	<p>GK registered Motor Vehicles will immediately be entered in the asset register once the communication of the value from the parent Ministry is received.</p>
	<p>1.3 Property, Plant and Equipment Similarly and as previously reported, the Property plan and Equipment balance of Kshs. 5,716,064,232 as at 30 June 2018</p>	<p>These assets have not been included in the financial statements as</p>	<p>Eng M.M.</p>	<p>TWSB is a waiting for official</p>	

**Tana Water Works Development Agency
Annual Report and Financial Statements
for The Year Ended 30 June 2019**

<p>excludes unknown value of a water boozer and several water tanks receive from the parent Ministry and which are being used by the Board. This has in effect understated the value of property, plant and equipment in the financial statement and commensurate depreciation.</p> <p>Further, the Japanese International Cooperation Agency (JICA) funded through a grant water project under Embu Water and Sanitation Company Limited, a Water Services Provider (WSP) under the jurisdiction of the Board. Although the Board estimates the cost of the project to be KSHS. 2.3 billion, the assets developed under the project have not been included in the financial statements and no documentary evidence was provided in support of these costs.</p> <p>In addition, the Property, Plant and Equipment balance includes an amount of Kshs. 26,252,205 in respect of Kiambere-Mwingi water supply project which is under the jurisdiction of Tanathi Water Services Board but whose initial development cost was borne by Tana Water Services Board. Although the Board does not draw any benefits from Kiambere-Mwingi Water Project, the Board continues to reflect as assets the cost of these assets in its books and charges annual depreciation on the assets. In addition, no documentary evidence in respect of transfer of the project assets from Tana Water Services Board to Tanathi Water Services Board was made available for audit verification.</p>	<p>their values are yet to be given by the Ministry. However, the Board has requested the ministry to provide the values to enable the management include the assets in the subsequent years</p> <p>The projects under Taanathi were developed by TWSB. The exclusion of these assets from TWSB Financial Statements shall be effected after the official transfer is carried out between the two Boards. The official transfer of assets and liabilities has not stalled but it is expected to take place in due course because the exercise involves the Board of Directors and TWSB Board of Directors had deliberated on this matter.</p>	<p>Naivasha - Chief Executive Officer</p> <p>Eng M.M. Naivasha - Chief Executive Officer</p>	<p>communication from MWS on the values of these Asset Grants.</p> <p>TWSB is awaiting for official transfer to be carried out between the two Agency</p>	<p>Immediately once the official transfer is carried out between the two Agency</p>
<p>1.4 Failure to Obtain Title Deed for Kiawaiguru Water Project</p> <p>Included in the additions during the year of Kshs. 329,563,049 under infrastructure as disclosed in note 21A to the financial statement is an</p>	<p>The issue of land ownership is being followed up with the owner and the local</p>	<p>Eng M.M. Naivasha - Chief Executive Officer</p>	<p>Follow-up is being made to ensure that documentation of the Land is</p>	

**Tana Water Works Development Agency
Annual Report and Financial Statements
for The Year Ended 30 June 2019**

	<p>amount of Kshs. 4,202,829 paid to M/S Geocast Agencies Limited for construction of Kiawaiguru Water Tank Project in 2015/2016 financial year. However, audit review revealed that although the land upon which the tank was built was voluntarily given to Tana Water Services Board, ownership documents in the name of the Board had not been obtained.</p>	<p>Administration in view of getting the documentation for the land.</p>		<p>being acquired</p>	
	<p>1.5 Lack of Non- Current Assets Register The Board did not maintain in the year under review a comprehensive non-current assets register. As a result it was not possible to ascertain fully the classes and description of the assets and their costs, value, location and existence, respectively. In view of the circumstances described above , the accuracy and completeness of non-current assets balance of Kshs, 7,223,319,376 as at 30 June 2018 could not be therefore, be confirmed.</p>	<p>TWSB maintains assets register which includes only the assets whose documents of ownership are with the Board</p>	<p>Eng M. M. Naivasha - Chief Executive Officer</p>	<p>Follow up with relevant bodied is being made to ensure that all assets owned by TWWDA have ownership documents and have been included in the non-current asset register.</p>	<p>Immediately assets are transferred and values confirmed</p>



Ag. Chief Executive Officer
Eng. John N. Mbogori
 Date 20-08-2019.....



Board Member
 Date 20-08-2019..

APPENDIX II : PROJECTS IMPLEMENTED BY TANA WATER WORKS DEVELOPMENT AGENCY

Projects implemented by the Agency funded by development partners

	Project title	Project Number	Donor	Period/ duration	Donor/GoK commitment (Kshs)	Separate donor reporting (Yes/No)	Consolidated in the Financial Statement
	Kenya Towns Sustainable Water Supply and Sanitation Programme						
1	Kerugoya Kutus water Supply Project	ID NO.P-KE-E00-011	ADB	18 Months	1,301,651,496	Yes	Yes
2	Kerugoya Kutus Sewerage Project	ID NO.P-KE-E00-011	ADB	18 Months	544,099,510	Yes	Yes
3	Chuka Water Supply Project	ID NO.P-KE-E00-011	ADB	18 Months	606,550,711	Yes	Yes
4	Chuka Sewerage Project	ID NO.P-KE-E00-011	ADB	18 Months	472,960,411	Yes	Yes
5	Chogoria Water Supply Project	ID NO.P-KE-E00-011	ADB	18 Months	645,288,468	Yes	Yes
6	Chogoria Sewerage Project	ID NO.P-KE-E00-011	ADB	18 Months	449,442,491	Yes	Yes
7	Meru sewerage Project	ID NO.P-KE-E00-011	ADB	18 Months	1,138,500,000	Yes	Yes
8	Mandera Water Supply Project	ID NO.P-KE-E00-011	ADB	18 Months	1,752,581,600	Yes	Yes
9	Mandera Sewerage Project	ID NO.P-KE-E00-011	ADB	18 Months	978,871,630	Yes	Yes
10	Marsabit Water Supply Project	ID NO.P-KE-E00-011	ADB	18 Months	740,006,322	Yes	Yes
11	Marsabit Sewerage Project	ID NO.P-KE-E00-011	ADB	18 Months	1,270,403,927	Yes	Yes
12	Murang'a Urban Water Supply	ID NO.P-KE-E00-012	ADB	10 Months	57,500,000	Yes	No
13	Murang'a South Water Supply	ID NO.P-KE-E00-013	ADB	10 Months	34,500,000	Yes	No
14	Othaya Water Supply	ID NO.P-KE-E00-014	ADB	10 Months	69,000,000	Yes	No
15	Isiolo Town Water Supply	ID NO.P-KE-E00-015	ADB	10 Months	115,000,000	Yes	Yes
16	Garisa Town Water Supply	ID NO.P-KE-E00-016	ADB	10 Months	230,000,000	Yes	Yes
17	Institution Support	ID NO.P-KE-E00-017	ADB	6 Months	410,300,000	Yes	No
18	Climate Change Adaptation	ID NO.P-KE-E00-018	ADB	6 Months	181,500,000	Yes	No
	Total				10,998,156,567		

Kenya Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019

Status of Projects Completion

	Project title	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of Fund
A.	Kenya Towns Sustainable Water Supply and Sanitation						
1	Kerugoya Kutus water Supply Project	1,301,651,496	276,481,615	10%	197,703	243,105,194	ADB
2	Kerugoya Kutus Sewerage Project	544,099,510	118,629,994	10%	63,128	104,678,415	ADB
3	Chuka Water Supply Project	606,550,711	13,558,546	10%	87,910	3,353,672	ADB
4	Chuka Sewerage Project	472,960,411	102,446,066	10%	53,178	94,488,774	ADB
5	Chogoria Water Supply Project	645,288,468	129,287,884	10%	93,995	118,431,269	ADB
6	Chogoria Sewerage Project	449,442,491	84,965,680	10%	48,140	77,404,063	ADB
7	Meru sewerage Project	1,138,500,000	206,168,700	10%	157,755	174,901,308	ADB
8	Mandera Water Supply Project	1,752,581,600	318,551,491	10%	279,880	296,975,190	ADB
9	Mandera Sewerage Project	978,871,630	225,349,885	10%	144,910	213,298,846	ADB
10	Marsabit Water Supply Project	740,006,322	170,108,710	10%	121,260	154,614,823	ADB
11	Marsabit Sewerage Project	1,270,403,927	244,103,630	10%	181,138	217,504,542	ADB
12	Murang'a Urban Water Supply	57,500,000	-	0%	66,000	-	ADB
13	Murang'a South Water Supply	34,500,000	-	0%	66,000	-	ADB
14	Othaya Water Supply	69,000,000	-	0%	66,000	-	ADB
15	Isiolo Town Water Supply	115,000,000	19,124,890	55%	99,003	19,124,890	ADB
16	Garisa Town Water Supply	230,000,000	28,720,100	10%	99,003	28,720,100	ADB
17	Institution Support	410,300,000	-	0%	-	-	ADB
18	Climate Change Adaptation	181,500,000	-	0%	-	-	ADB
	Total	10,998,156,567	1,937,497,191		1,825,000	1,746,601,086	

**Tana Water Works Development Agency
Annual Report and Financial Statements
for the Year Ended 30 June 2019**

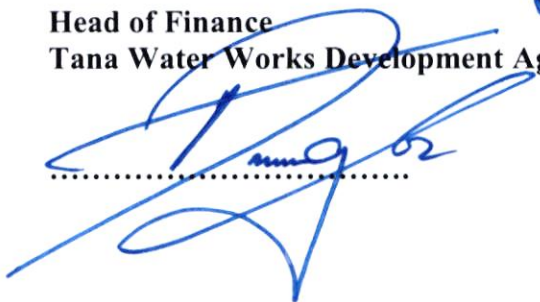
APPENDIX III : INTER – ENTITY TRANSFERS

ENTITY NAME		TANA WATER WORKS DEVELOPMENT AGENCY		
Break down of Transfers from the Ministry of Water and Sanitation				
FY 2018/19				
a.	Recurrent Grants			
		Bank Statement Date	Amount (Kshs.)	FY to which the amounts relate
	(i)	05-09-2018	6,666,667	FY 2018/19
	(ii)	13-09-2018	6,666,667	FY 2018/19
	(iii)	03-10-2018	6,666,667	FY 2018/19
	(iv)	02-11-2018	6,533,333	FY 2018/19
	(v)	03-12-2018	6,533,333	FY 2018/19
	(vi)	24-01-2019	6,533,333	FY 2018/19
	(vii)	12-02-2019	6,533,333	FY 2018/19
	(viii)	05-03-2019	6,533,333	FY 2018/19
	(vix)	04-04-2019	4,933,334	FY 2018/19
	(x)	17-05-2019	6,666,667	FY 2018/19
	(xi)	06-04-2019	6,666,667	FY 2018/19
	(xii)	27-06-2019	6,666,666	FY 2018/19
		Total	77,600,000	
b.	Development Grants			
		Bank Statement Date	Amount (Kshs.)	FY to which the amounts relate
	(i)	03-07-2018	140,000,000	FY 2017/18
	(ii)	18-10-2018	61,250,000	FY 2018/19
	(iii)	28-12-2018	61,250,000	FY 2018/19
	(iv)	27-06-2019	61,250,000	FY 2018/19
		Total	323,750,000	
c.	Water for Schools			
		14-1-2019	27,000,000	FY 2018/19
		Total	27,000,000	
d.	Drought Mitigation	25-6-2019	42,000,000	FY 2018/19
		25-6-2019	5,000,000	FY 2018/19
		Total	47,000,000	

**Tana Water Works Development Agency
Annual Report and Financial Statements
for the Year Ended 30 June 2019**

		Date Disbursement Request Submitted to MWS	Amount (Kshs.)	FY to which the amounts relate
e.	Direct Payments			
	Works			
	15	7th November 2018	80,022,311.11	FY 2018/19
	16	7th November 2018	20,005,577.84	FY 2018/19
	19	6th December 2018	102,126,921.48	FY 2018/19
	20	6th December 2018	103,941,301.41	FY 2018/19
	21	6th December 2018	72,268,503.16	FY 2018/19
	22	6th December 2018	72,268,502.99	FY 2018/19
	23	6th December 2018	100,101,738.52	FY 2018/19
	24	6th December 2018	100,101,738.61	FY 2018/19
		Sub Total	652,051,341	
	Consultancy			
	13	8th October 2018	20,176,403.55	FY 2018/19
	14	8th October 2018	27,378,881.69	FY 2018/19
	25	9th April 2019	7,888,000.00	FY 2018/19
		Sub Total	55,443,285.24	
		Grand Total	707,494,625.87	

**Head of Finance
Tana Water Works Development Agency**



**Head of Accounting Unit
Ministry of Water & Sanitation**

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**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

ANNEX I

BOARD ADMINISTRATIVE COST FEE EARNED DURING THE REPORTING PERIOD

	2018/19
WSP COMPANY	AMOUNT (KSHS.)
Kyeni	329,764
Murugi Mugumango	410,335
Ngagaka	2,034,499
Sub Total	2,774,598

BOARD ADMINISTRATIVE COST FEE ARREARS COLLECTED DURING THE REPORTING PERIOD

	2018/19
WSP COMPANY	AMOUNT (KSHS.)
Embewasco	2,250,000
Gatamathi	900,000
Imetha	300,000
Kahuti	800,000
Kirinyaga	1,500,000
Murang'a South	1,050,000
Mawasco	250,000
Murang'a	200,000
Muthambi 4k	180,000
Nginda Ngandori	150,000
Nithi	1,044,469
Omwawco	1,700,000
Ruiru thau	45,000
Tetu-Aberdare	2,280,000
Tuuru	250,000
Naromoru	90,000
Sub Total	12,989,469
Grand Total	15,764,067

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

ANNEX II

(A) TRADE DEBTORS AS AT 30 JUNE 2019

	2018/19	2017/18
(I) WSP COMPANY	AMOUNT (KSHS.)	AMOUNT (KSHS.)
Embe	1,022,885	3,272,885
Ewasco	73,169,455	73,169,455
Gatamathi	7,146,040	8,069,725
Gichugu	-	3,556,494
Imetha	7,962,466	8,262,466
Kahuti	8,690,232	9,490,233
Kathita Gatunga	934	934
Kirinyaga	16,743,785	18,243,785
Mawasco	34,116,395	34,366,395
Mewass	51,135,957	51,135,957
Murang'a	49,922,918	50,122,918
Muthambi 4K	76,000	256,000
Murang'a South	23,899,784	24,949,784
Ngandori Nginda	14,641,753	14,791,753
Nithi	1,041,510	2,101,012
Nyewasco	52,929,735	52,929,735
Omwasco	24,099,277	25,799,277
Ruri Thau	409,839	454,839
Teawasco	3,919,433	6,319,433
Tuuru	6,005,379	6,255,379
Naromoru	1,417,564	1,507,564
SUB TOTAL	378,351,341	395,056,023
LESS: 10% General Provision for Bad and Doubtful Debts	(37,835,134)	(39,505,602)
NET TRADE DEBTORS	340,516,207	355,550,421

(B) EXHAUSTER & WATER BOWSER DEBTORS AS AT 30 JUNE 2019

Nyeri Water Company	17,000	17,000
Nyeri County Government	71,000	56,000
Tharaka Nithi County	600,000	600,000
Othaya Mukurwe-ini Water Company	7,000	7,000
Murang'a Water Company	2,213,024	1,894,964
Village Nuts Limited	-	17,000
Mweiga Secondary School		24,000
Ewasco	60,000	
SUB TOTAL	2,968,024	2,615,964
GRAND TOTAL	343,484,231	358,166,385



**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

Annex III(a)

STAFF OUTSTANDING IMPREST AS AT 30 JUNE 2019

DETAILS	DATE OF ISSUE	AMOUNT (KSHS.)
A. KWSP		
Ministry of Environment, Water & Natural Resources (G K Mathu)	26-Mar-07	51,760
Sub-total		51,760
GRAND TOTAL		51,760

Annex III (b)

EMPLOYEE COSTS (SALARY ADVANCE) AS AT 30 JUNE 2019

Alexander Timothy Gitonga	28,000
SUB TOTAL	28,000

ANNEX IV

(A) LIST OF CREDITORS AS AT 30 JUNE 2019

Details	Amount Kshs
A. RECURRENT	
Kenya National Audit Office	1,160,000
Rentokil Initials	192,640
Honoraria	35,000
SUB-TOTAL	1,387,640
B. DEVELOPMENT	
Ranju Ltd	20,261,144
Saman Engineering Company Ltd	8,396,276
AMG Sagrin Ltd	4,189,489
Mazingira & Engineering Consultants Ltd	267,120
Davis & Shirliff	40,000
Mjengo & Allied	1,986,256
Global View Associate	128,310
Eland Safari	455,481
Nation Media	564,920
Standard Group	533,600
Evaton System Ltd	732,320
Royal Media	348,000
SUB-TOTAL	37,902,916
C. SHORT TERM LOAN	
Meru Water and Sewerage Services (MEWASS)	30,000,000
TOTAL	69,290,556

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

ANNEX V

ANALYSIS OF DEFICIT FY 2018/19

Ksh.

**(A) Expenses reflected in Statement of Financial Performance
Income which have no corresponding cash inflow (Income):**

(i) Depreciation	170,886,789
(ii) General Provision for Bad & Doubtful Debts	(1,670,469)
(iii) Specific Provision for Bad & Doubtful Debts	5,596,273
	<u>174,812,593</u>

Add:

**(B) Expenses reflected in Statement of Financial Performance
whose cash inflow is from GoK Development grant which is
reflected as capital reserves:**

(i) ADB GoK Board Support Counterpart Expenses	50,000
(ii) ADB GoK Small Towns Counterpart Expenses	140,200
(iii) Foreign travel	1,312,075
(iv) Laboratory Materials & Equipments	101,016
(v) Trade shows and Exhibitions	1,266,700
(vi) Contracted professional	847,297
(vii) Workshops and Seminars	3,147,633
(viii) Bank charges - Devpt	95,961
(ix) Project Supervision Staff Expenses	11,148,000
(x) Computer Stationeries & Accessories	4,140,929
(xi) Publishing, Printing & Stationery	3,517,117
(xii) Project Fuel & Lubricants	4,419,919
(xiii) Project Vehicle Maintenance	2,551,957
(xiv) Drought Mitigation	21,856,394
(xv) Telephone	446,400
(xvi) Salaries	73,539
(xvii) Office & House Keeping	176,200
(xviii) Electricity	64,732
(xix) Contracted Guards	144,710
(xx) Thangatha	605,000
(xxi) Sagana restoration Project	1,774,576
(xxii) Ura Dam	235,500
(xxiii) Advertising & Publicity	1,090,380
(xxiv) Staff Training	391,400
(xxv) Computer Repairs & Software Maintenance	2,004,760
(xxvi) Property Repairs & Maintenance	238,100
(xxvii) ISO 9001:2015 QMS	286,300
(xxviii) Catering services	1,760,540
(xxix) Exhauster	780,196
(xxx) Audit fees	580,000
(xxxi) Corporate Social Responsibility	175,000
(xxxii) Karia-ini Dam	200,000

**Tana Water Works Development Agency
Annual Report and Financial Statements
For the Year Ended June 2019**

(xxxiii) Small Dams and Pans	184,650	
(xxxiv) ADB GoK Counterpart Expenses - Kenya Towns Sustainable Water Supply & San Program	36,040,155	
(xxxv) Kianjuri Dam	2,230,000	
(xxxvi) Conference and Meeting	915,400	
(xxxvi) Karatina Sewerage	145,000	
(xxxvii) Postage and Courier	10,000	
(xxxviii) Professional Subscription	63,400	
(xxxix) Legal Fees	75,000	<u>105,286,135</u>
Add		<u>280,098,727</u>
(C) Expenses Financed from arrears collected from WSPs*		<u>12,989,470</u>
Board Administrative Costs fee		<u>293,088,197</u>

**This relates to expences paid from arrears collected from WSPs. The income was accounted for in the previous accounting periods. The receipt was during the reporting period and was utilised to finance the FY 2018/2019 expenditures.*