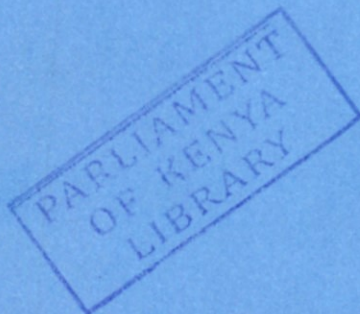


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability



REPORT

OF

DATE: 21 MAR 2024 THURS

Hon Naomi Wago, mp
Deputy Majority Whip
A. Shubuko

THE AUDITOR-GENERAL

ON

WATER SECTOR TRUST FUND

FOR THE YEAR ENDED

30 JUNE, 2023

WATER SECTOR TRUST FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023



WaterFund
Financing the Water Sector



WATER SECTOR TRUST FUND

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

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GLOSSARY OF TERMS

Acronym	Description
AFDB	African Development Bank
AOD	Aid on Delivery
ASAL	Arid and Semi-Arid Lands
BMGF	Bill and Melinda Gates Foundation
CBOs	Community Based Organizations
CFA	Community Forest Associations
CIPRA	Climate Proofed Infrastructure Programme
COVID-19	Corona Virus Disease-2019
DANIDA	Danish International Development Agency
EU	European Union
GDP	Gross Domestic Product
GoK	Government of Kenya
IFAD	International Fund for Agricultural Development
ISO	International Organisation for Standardization
KfW	Kreditanstalt fuer Wiederaufbau (German Government Bank)
KShs	Kenya Shillings
MoU	Memorandum of Understanding
MOWSI	Ministry of Water, Sanitation & Irrigation
MTAP	Medium Term Arid Programme
NCBA	NCBA Bank Kenya Plc
OBA	Output Based Aid
QMS	Quality Management Systems
SCAC	State Corporations Advisory Committee
SFD	Saudi Fund for Development
SIDA	Swedish International Development Agency
SWASAP	Sustainable Management and Access to Water and Sanitation in the ASAL Programme
UBSUP	Upscaling Basic Sanitation for the Urban Poor
UNICEF	United Nations Children's Fund
UPC	Urban Project Concept
USD	United States Dollar
UTaNRMP	Upper Tana Natural Resources Management Project
WASH	Water and Sanitation for Hygiene
WASREB	Water Services Regulatory Board
WRA	Water Resources Authority
WRCCI	Water Resources and Climate Change Investments
WRUA	Water Resources Users Association
WSDP	Water & Sanitation Development Programme
WSPs	Water Services Providers
WSTF	Water Sector Trust Fund
WUA	Water Users Associations

1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

Water Sector Trust Fund (formerly Water Services Trust Fund) – WSTF, is a corporate body established under section 113 (1) of the Water Act, 2016 of the Laws of Kenya and it is domiciled in Kenya.

(b) PRINCIPAL ACTIVITIES

The objective of the WaterFund is to provide conditional and unconditional grants to counties and to assist in financing the development and management of water services in marginalized areas or any area which is considered by the Board of Trustees to be underserved including: -

- a) Community level initiatives for the sustainable management of water resources;
- b) Development of water services in rural areas considered not to be commercially viable for provision of water services by licensees;
- c) Development of water services in the under-served poor urban areas; and
- d) Research activities in the area of water resources management and water services, sewerage and sanitation.

Vision:

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

Mission:

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

Core Values

- a) **Sustainability** - The Fund strives to ensure that the funded projects are financially, socially and environmentally sound and sustainable through innovative mechanisms.
- b) **Integrity** - The Fund ascribes to high standards of personal and professional ethics and integrity in the conduct of its affairs.
- c) **Good Governance** - The process is as good as the product. The Fund promotes the virtues of equity and fair play for equitable sustainable development through consultations as well as effective communication, coordination and public participation in all undertakings.
- d) **Human Dignity** - The Fund is committed to uphold reasonable standards of access to water and sanitation for the citizens of Kenya to meet its constitutional mandate.
- e) **Teamwork** - The Fund relentlessly pursues timely attainment of targeted results at all levels through high level coordination, networking and collaboration within WSTF and its partners.

1. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(c) Key Management

Board of Trustees

Dr Erick Kipkoech Rutto	Board Chairperson (Effective 14 th April 2023)
Mr. William Lay	Chairman – Board of Trustees (up to 13 th April 2023)
Dr. Chris K. Kiptoo CBS	PS, Ministry of Water & Sanitation and Irrigation (effective 01 st December 2022)
Dr. Julius Muia	PS, The National Treasury and Planning (TNT) (up to 30 th November 2022)
Mr. Fredrick Odhiambo Josiah	Independent Trustee (up to 21 st July 2023)
Mr. Daniel Mutua	Alternate Trustee to CS: Ministry of Treasury and Planning
Mr. Chrisologus Makokha	Alternate Trustee to Inspectorate of State Corporations (up to 07 th December 2022)
Mr. Kevin Opiyo	Member (effective 05 th July 2022 up to 21 st July 2023)
Dr. Mary Wambui Kimani, (PhD), MBS	Member (effective 05 th July 2022 up to 21 st July 2023)
Eng. Musa Ndeto	Member (effective 05 th July 2022 up to 21 st July 2023)
Ms. Theresa Wasike	Alternate Trustee to PS: Ministry of Water & Sanitation and Irrigation (up to 10 th July 2023)
Mr. Kimani Mbatia	Member (effective 05 th July 2022 up to 21 st July 2023)
Mr. Abdalla Hassan Abdalla	Member (effective 05 th August 2022 up to 16 th June 2023)
Eng. Joseph Kimani Ngacha	Member (effective 16 th June 2023)
Ms. Gladys Wekesa, OGW	Alternate Trustee to the Principal Secretary, Ministry of Water, Sanitation and Irrigation (effective 11 th July 2023)
Mr. Barako Qatamur	Member (effective 12 th June 2023)
Mr. Andrew Mbithi	Member (effective 21 st July 2023)
Mr. Lucas Chepkitony	Member (effective 21 st July 2023)
Ms. Maryan Ubah Mohamed	Member (effective 21 st July 2023)
Ms. Winfred Wanjiku Njoroge	Member (effective 08 th December 2022)
Ms. Josphine Eregae	Member (effective 21 st July 2023)
Mr. Marselino Malimo Arbelle	Member (effective 01 st September 2023)
Ms Halima Ali	Corporation Secretary

Management Team

Mr. Willis Okello Ombai, BSc (Forestry), MA (Project Planning & Management)	Chief Executive Officer
Mr. Edwin Korir, B.Ed. (Arts), MBA, CPA (K)	General Manager, Internal Audit & Risk Management
Mr. Samwel Gitau Mbugua, B. Com (Accounting), MBA, CPA (K)	General Manager, Corporate Services
Mrs. Halima Ali Abdullahi Bachelor of Laws (LLB), LLM, CIARB, CPS	General Manager, Legal & Corporation Secretary
Mrs. Ruth Nganga, BA (Theology), PGC, Ed	General Manager, Partnership Development and Resource Mobilization
Mr. Bernard Njenga, B. Com (Business Information Systems), MBA (MIS)	Manager, ICT & Corporate Affairs
Mr. Paul Atwa, BA (HR), Higher Dip. HR, MBA(Ongoing)	Manager, Human Resources and Administration
Mr. Thomas Nyangau BSC. Eng, MBA Strategy	Manager, Urban Investments/ Commercial financing
Mr. Panuel Nyaga, MSC, Procurement & Logistics, BCOM (Marketing), Diploma in Purchasing & Supplies	Manager, Supply Chain Management
Eng. Rose Nyikuri, BSc. Eng (Civil), MSc (WREM), R. Eng., MIEK	Manager, Water Resources and Climate Change Investments
Mr. Peter Koech, BSC. Eng, (Civil)	Manager, Rural Investments
Mr. Elly Ochere, MBA, BSC Actuarial Sciences with IT	Ag. Manager, Research, Planning and M&E

1. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were;

Name	Designation
Mr. Willis Okello Ombai	Chief Executive Officer
Mr. Samwel Gitau Mbugua	General Manager, Corporate Services
Mr. Panuel Nyaga	Manager, Supply Chain Management
Mr. Bernard Njenga	Manager, ICT & Corporate Affairs

(e) Fiduciary Oversight Arrangements

The key fiduciary oversight arrangement were;

Audit and Risk Committee

The committee assists the Board of Trustees in fulfilling its oversight role with objectivity, independence and effectiveness by;

- Obtaining assurance from management that all financial and non-financial internal control and risk management functions are operating effectively and reliably
- Providing an independent review of an entity's reporting functions to ensure the integrity of financial reports
- Monitoring the effectiveness of the entity's performance management and performance information
- Providing strong and effective oversight of an entity's internal audit function
- Providing effective liaison and facilitate communication between management and external audit
- Providing oversight of the implementation of accepted audit recommendations
- Ensuring the entity effectively monitors compliance with legislative and regulatory requirements and promotes a culture committed to lawful and ethical behaviour.

Fund Development and Finance Committee

The committee ensures effective systems that provide leadership in management, resource rationalization and professional performance that endeavour in realizing the achievement of goals by providing the following;

- Reviewing and recommending WSTF policies relating to Finance, Human Resources, Resource Mobilization, Planning & Research, Procurement and ICT for efficient and effective function of the Fund.
- Ensuring that the Fund has effective and efficient internal control systems.
- Reviewing and recommending the Fund's long, medium and short-term plans that are consistent with the Strategic Plan.
- Ensuring that the Fund has optimal liquidity to enable the smooth flow of operations for working capital and development.
- Ensuring there are adequate financial reporting structures in place.
- Reviewing financial reports and making appropriate recommendations to the Board.

1. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(e) Fiduciary Oversight Arrangements

Investment and Monitoring Committee

The Committee provide guidance, advice and recommendations to the Board for the realization of access to Water and Sanitation services through financing of viable projects by;

- Developing and reviewing funding mechanisms and make recommendations as appropriate to the BOT for approval.
- Ensuring compliance with developed systems in terms of appraising, funding, implementation and monitoring of sustainable water and sanitation projects.
- Reviewing project proposals and/or investment briefs recommended by the Management and recommend as appropriate to the Board of Trustees for approval.
- Strengthening and sustaining the Fund's relationship with the parent ministry, other water institutions and relevant stakeholders.

Public Investment Committees

This is a select Committee established pursuant to Standing Order No.206 of the National Assembly and is mandated to among other things, examine the reports and accounts of Public Investments as submitted by the Auditor-General and also examine whether the affairs of public investments are managed in accordance with sound financial or business principles and prudent commercial practices, Article 229 of the Constitution of Kenya also mandates Parliament to consider the report of the Auditor-General. The Committee invites the Fund to appear before it to adduce evidence on the Reports of the Auditor -General on the Financial Statements of the Water Sector Trust Fund for specified period.

Development partners

Development Partners provide oversight through quarterly steering committees and bilateral meetings held from time to time. WaterFund prepares and submits quarterly and annual reports to Partners regarding status and progress of the programmes, including statements of expenditure for funds received from each partner. The Fund receives and addresses Partners feedback on reports and during meetings and often organizes field visits for partners to inspect projects they have funded. They also provide Technical Assistants who help to enhance WaterFund's capacity. WaterFund utilizes the funds against a work plan and budget allocated by the National Treasury.

(f) Registered Offices

CIC Plaza First Floor,
Mara Road, Upper Hill,
P.O. Box 49699 - 00100
Nairobi, Kenya.

(g) Entity Contacts

Tel: +254 - 20-2720696/9017/9018/9019
Fax: +254 - 20-2724357
E-mail: info@waterfund.go.ke
Website: www.waterfund.go.ke

(h) Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O Box 60000 – 00200
Nairobi, Kenya.

1. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(h) Bankers (Continued)

National Bank of Kenya Limited
Hill Plaza Branch,
P.O. Box 45219 - 00100
Nairobi, Kenya.

Kenya Commercial Bank Limited
Capitol Hill Branch
P.O. Box 69695 - 00100
Nairobi, Kenya.

NCBA Bank Limited
NCBA House, Masaba Road
P.O. Box 44599 - 00100
Nairobi, Kenya.

Cooperative Bank of Kenya
Upper hill Branch
P.O. Box 48231 – 00100
Nairobi, Kenya

Equity Bank Kenya Limited
Supreme Branch Upper hill
P.O. Box 75104 – 00200
Nairobi, Kenya

(i) Independent Auditor

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

(j) Principal Legal Advisors

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

2. BOARD OF TRUSTEES

The Board of Trustees' who served the Fund during the financial year are:



Mr. William (Bill) Lay – Board Chairman (Up to 13th April 2023)

Mr. William (Bill) Lay, is the Chairman of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in July 2022.

Mr. Bill Lay holds a Bachelor of Arts Degree from Alma College in Michigan, USA, where he studied Business Administration, graduating in 1974. In 1975, he started a career with General Motors (GM) Corporation including assignments in USA, Europe, Middle East and Africa. He retired in 2006 as Executive Chairman and CEO of GM East Africa in Nairobi, Kenya.

Mr. Lay is the Executive Director of ProSource Bimex Ltd., a Kenyan firm engaged in start-up and investor management consultancy.

Mr. Lay served as Chairman of Junior Achievement Kenya for 10 years and is a founding Trustee of the Kenya Private Sector Alliance. He served as a board member of Kenya Association of Manufacturers, Federation of Kenya Employers and served two terms as Chairman of Kenya Vehicle Manufacturers Association.

Mr. Lay has extensive Governance experience serving as Chairman of the Kenya Markets Trust, Business Advocacy Fund, Maziwa Taita and Taita Papa Community Based Organizations.

Mr. Lay holds dual USA and Kenyan citizenship after being granted Kenyan citizenship in 2013. He resides with his family in Wundanyi, Taita Taveta County.

Dr Erick Kipkoech Rutto – Board Chairman (effective 14th April 2023)

Erick Kipkoech Rutto holds a Master's of Science degree in Tropical and Infectious Diseases, as well as a Bachelor of Science degree in Medicine and Surgery. Dr Rutto is currently pursuing a Ph.D. in Medical Microbiology.

In addition to his role as Chairperson of the WaterFund, Dr Rutto is a distinguished entrepreneur and serves as the 1st Vice President of the Kenya National Chamber of Commerce. In this capacity, he actively promotes and safeguards the commercial and industrial interests of the Chamber's members and the country as a whole. Dr Rutto plays a crucial role in facilitating domestic and international trade by organizing finance trade and industrial exhibitions, which contribute to fostering economic growth.

Dr Rutto is a strong advocate for favourable legislation and effective bureaucratic measures that protect the interests of Chamber members. Acting as a liaison, he connects foreign investors with opportunities in Kenya, stimulating partnerships and contributing to the country's economic development.

With over fifteen years of experience in senior management, Dr Rutto has demonstrated expertise in strategic leadership, operations management, finance management, organizational development, administration, stakeholder relations, and client relationship management. He has also contributed to the promotion of high educational standards through his teaching experience in higher education institutions.

Professionally, Dr Rutto is an active member of the Kenya Medical Association (KMA), the Kenya Association of Private Hospitals (KAPH), and serves as the Chairman of the Eldoret Private Hospital Owners Association (EPHOA). His involvement in these professional organizations reflects his commitment to the advancement of healthcare and the improvement of medical services.



Dr Rutto's research experience focuses on Translational Research, which involves leveraging knowledge from basic sciences and research to develop new drugs, medical devices, diagnoses, and treatment options. His specific research interests include in-house genotype antiretroviral drug resistance in therapy-naive HIV-1 positive patients, interactions between malaria and HIV co-infections in malaria endemic zones, and antibacterial sensitivity patterns, trends, and antibiotic use stewardship in Kenya.

Outside of his professional commitments, Dr Rutto serves as an advisor and Board Member to the Tegla Lorupe Peace Foundation, contributing his expertise to promote health and well-being. He has also previously held positions as a member of the Board of Directors of the Water Services Regulatory Board (WASREB) and Chairman of the Eldama Ravine Sub County Referral Hospital in Eldoret.

Dr Rutto's extensive experience, entrepreneurial mindset, and dedication to research and community service make him a valuable asset as Chairperson of the Water Sector Trust Fund. His combination of medical knowledge, management skills, and commitment to the advancement of the water sector in Kenya ensures impactful contributions to the country's sustainable development.

Mr. Willis Ombai – Chief Executive Officer

Mr. Ombai is a Developmental Expert with a bias in Natural Resource Management and with over 20 years' experience in various countries in Africa serving in different capacities. He holds Masters of Arts Degree in Project Planning and Management from Maseno University, Bachelor of Science Degree in Forestry from Moi University. He is currently pursuing a PhD in Environment Policy from University of Nairobi.

Mr. Ombai has extensive experience in management of development projects financed by bilateral, global and national agencies including World Bank, European Union, DANIDA, German Development Bank, International Fund for Agricultural Development, The Gates Foundation, Government of Sweden, Government of Finland and Government of Kenya.

In his previous portfolio as a Chief Manager, Investments and Programmes, Mr. Ombai's key role was overall supervision of implementation of investments across WaterFund through monitoring and development of quality and timely reporting to Development Partners, Board of Trustees and other key stakeholders. He led in development of short to long term investment strategies, development and review of proposals for resource mobilisation, establishment and strengthening of partnerships.

Mr. Ombai previously worked as a Project Coordinator at Open Society Initiative for Southern Africa, a Civil Society Organisation on Sustainable Land Management (SLM) Project for Sub-Saharan Africa funded by the United Nations Development Programme (UNDP). Key among his responsibilities was to provide strategic leadership to the project teams in budgeting, stakeholder engagement, grant management risk assessment and assurance. High-level reporting for transparency and accountability in compliance to best practices, national and international environmental laws was also part of his responsibilities.

Mr. Ombai has been serving as the Secretary and Advisor to the WaterFund Board of Trustees (Investments & Monitoring Committee) on broader issues pertaining investments in water, sanitation and water resources management projects, monitoring, evaluation accountability and learning. Mr. Ombai has also previously worked for World Agro Forestry Centre (International Centre for Agroforestry-ICRAF), Danish International Development Agency and National Environment Trust Fund amongst others.

Mr. Ombai is a member of Forestry Society of Kenya, Environmental Institute of Kenya and Institute of Directors (Kenya).



2. BOARD OF TRUSTEES (Continued)



Dr. Chris K. Kiptoo, CBS – Principal Secretary, Ministry of Water and Sanitation - (Effective 01st December 2022)

Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary by President William Samoei Ruto on 1st December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.

In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities. His expertise especially relates to the design and implementation of monetary policy; balance of payments and exchange rates; fiscal operations and policy; financial sector matters including capital markets; national accounts/real sector and macroeconomic accounting, and modelling and forecasting.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister.

Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (*International Macroeconomics Finance specialization*) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. He is also an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI)

Dr. Julius Muia - Principal Secretary, National Treasury and Planning (Up to 30th November 2022)

Dr. Julius Muia was appointed the Principal Secretary at The National Treasury on 24th July 2019. Prior to this, he was the Principal Secretary at the State Department for Planning - The National Treasury and Planning. Before his appointment as PS Planning, he was the Director General, Vision 2030 Delivery Secretariat which operated under the Office of the President, Republic of Kenya to facilitate the implementation of Vision 2030. This is Kenya's long-term policy framework that is premised on making Kenya a globally competitive, rapidly industrializing and upper middle-income economy by 2030.

Between April 2008 and October 2016, Dr. Julius Muia served as the Secretary, National Economic and Social Council, Office of the President. This is a top advisory government think tank whose flagship project was formulating Vision 2030.

An alumnus of the University of Nairobi's School of Business, Dr Julius Muia graduated with a First Class Honours Degree in Accounting; Master's Degree and PhD in Finance from the same university. His professional qualifications include: Certified Public Accountant (CPA-K); Certified Public Secretary (CPS-K), Associate Kenya Institute of Bankers; Associate Chartered Institute of Arbitrators; and Certified Coach.

Dr. Julius Muia has over 25 years' experience in leadership in the private sector in Kenya and UK. He started his career as an auditor with PricewaterhouseCoopers in mid-1980's, and later worked as Head of Finance and Company Secretary in the hotel, manufacturing and banking sector. His other engagements include an adjunct faculty at Strathmore Business School; adviser on strategy and trainer on leadership.

Dr. Julius Muia serves as a non-executive board member in several companies and a number of not-for profit organizations.



2. BOARD OF TRUSTEES (Continued)



Mr. Fredrick Odhiambo Josiah - Independent Trustee (Up to 21st July 2023)

Mr. Josiah holds a Bachelor of Arts Degree in Economics and Rural Economy from Makerere University, Kampala. His further qualifications include Certified Public Administrator (KIA/KSG), Telecommunications Controller (CTS/KCCT) and Packet Switching (Bailbrook College UK).

Mr. Josiah is an experienced governance leader who has been a public servant and a consultant in various sectors in Kenya including: The Provincial Administration, Central Government (The Treasury); Telecommunications Industry (KPTC); and various national development programmes in particular the Microfinance Support Sector. He also consulted in various Integrated Livelihoods Development Programmes where the provision of Water and Sanitation forms critical component of the programmes.

Mr. Josiah has consulted for various governments including the Government of Rwanda where he was recruited by the UN Economic Commission for Africa and joined an international team of experts to design and implement an integrated ICT-led socio-economic development process (NICI-II) with the potential to modernise and transform Rwanda into a middle-income economy. He was also recruited by PricewaterhouseCoopers Ltd (PwC) Kenya to consult for the Government of Ethiopia in its Entrepreneurship Development Programme whose objective is to unleash the growth potential of micro and small enterprises.

At the community level Mr. Josiah is a model farmer and an active participant in local development projects such as being the Patron of Karadolo Water Project in Ukwala, Siaya County.

Mr. Josiah's vast leadership and strong interpersonal communication is a great addition to the Board of Trustees of the Water Sector Trust Fund.

Mr. Josiah was the chair of Investment & Monitoring Committee

Mr. Chrisologus Makokha Alternate Trustee - Inspectorate of State Corporations up to 07th December 2022)

Mr. Makokha is currently a PhD in Business Administration student at Jomo Kenyatta University of Agriculture and Technology (JKUAT). He holds a Master of Business Administration from the same institution and a Bachelor of Science Degree in Applied Statistics with IT, Second Class Honours (Upper Division) from Kenyatta University.

Mr. Makokha has been with the Inspectorate of State Corporations, Office of the President, since 2013. Before being appointed to the Inspectorate of State Corporations, he worked for the Central Bureau of Statistics, Ministry of Devolution and Planning where he diligently worked on analysis of data and compiling of various statistical reports, supervision of enumerators collecting statistical data, among other duties that saw him rise from the position of Economist / Statistician II to position of Economist / Statistician I.

Mr. Makokha brings on board knowledge skills and experiences in various field including but not limited to management audit of state corporations, monitoring and evaluation in the public sector. He has vast experience in Corporate Governance, Strategic Planning and Strategy Execution.

Mr. Makokha has well developed management skills, is knowledgeable in a wide range of Information and Communication Technology applications and is highly competency in all aspects of research from proposal writing to execution and report writing. His interests lie in community development activities.



2. BOARD OF TRUSTEES (Continued)



Mr. Daniel Mutua - Alternate Trustee to CS: Ministry of Treasury and Planning

Daniel Mutua is a Deputy Director, Investment at the National Treasury. He alternates the Cabinet Secretary, the National Treasury at the Board. He has over 23 year's Public sector experience in various Ministries including – Ministry of Labour, National Heritage, and the National Treasury – Directorate of portfolio management. Intensive training in Investment appraisal, Enterprise Risk analysis, Corporate Governance, and Public-Private Partnerships. Mutua holds a B.Ed. (Economics/ Business) from Kenyatta University (1991), MBA from ESAMI/Maastricht (2006) and several certificates from IP3 Institute, Washington DC-USA. He has previously served as an Alternate Director in the Boards of ICDC, EPZA, WSTF, NBA, KNAC (2001) Ltd and University of Eldoret Council.

Mr. Kevin Opiyo - Independent Trustee (effective 5 July 2022 up to 21 July 2023)

Mr. Kevin Opiyo is a member of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in July 2022.

Mr. Kevin Opiyo is a financial and credit analyst with over nineteen (19) years of experience in the financial and banking sector, having worked in the public and the private sector in various parts of the country to provide professional advice, consultations, services and analysis.

Mr. Opiyo has worked in the financial sectors in various categories from sales, customer care, administration, staff welfare and in management, where he has been responsible for implementing the organisations mission, vision and objectives. He has started new branches and institutions and seen them through to profitable going concerns.

Mr. Opiyo holds a Bachelor of Commerce degree and has undertaken many professional courses in the finance and banking sector.

Mr. Opiyo is an exemplary leader with an impeccable track record as a team player and leader, high performance, professionalism and integrity.



2. BOARD OF TRUSTEES (Continued)



Dr Mary Wambui Kimani – Independent Trustee (effective 5th July 2022 up to 21st July 2023)

Dr Mary Wambui Kimani is a member of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in July 2022.

Dr Mary Wambui Kimani is a holder of a Ph.D. in Land Economics, a Masters of Arts in Urban and Regional Planning and a Bachelor of Science in Agriculture.

Dr Kimani is registered by the Physical Planners Registration Board as a practicing physical planner. She is also registered by the National Environmental Management Authority, Kenya (NEMA) as an Environmental Impact Assessment and Audit Lead Expert. She is a Corporate Member of the Architectural Association of Kenya (AAK) Town Planners (TP) and Environmental Designer (ED) Chapters. She is also a member of the Environmental Institute of Kenya (EIK).

Dr Kimani has extensive experience in the academia spanning 29 years in teaching and research experience both at the undergraduate and postgraduate levels. She has supervised 2 Ph.D. and 8 Masters students to completion and is currently supervising 2 Ph.D. and 2 Masters students. She has published over 10 articles in refereed journals and contributed several book chapters.

Dr Kimani's professional and research experience is in the broad area of Agricultural and Forestry Resource Planning, Environmental Economics and Valuation as well as Environmental Conservation and Management. She has participated in feasibility studies including baseline studies, technical and financial proposals and appraisal, project evaluation, monitoring, implementation and supervision.

Other areas that Dr Kimani has undertaken include planning and analysis of environmental services including water supply and sanitation, Solid Waste Management and Disposal, Environmental Pollution, Prevention and Control; conducting and Preparing Economic and Environmental Impact Assessment and Audit.

Dr Kimani has been involved in studies focussing on financial and economic analysis of projects, solid waste management, collection, transportation, and disposal; planning, resource conservancy and recycling studies; and social impact of codes of practice studies in the agricultural industry, horticultural and flower industry.

Dr Kimani is the chairperson of the Human Resources and Administration Committee.

Eng. Musa Ndeto - Independent Trustee (effective 5th July 2022 up to 21st July 2023)

Eng. Musa Ndeto is a member of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in July 2022.

Eng. Musa Ndeto holds a Bachelor of Science degree (B.SC Hons) in Electrical Engineering from University of Nairobi, and Master of Business Administration in Finance (MBA-Finance) and Master of Business Administration in Strategic Management (MBA-Strategic Management) from Daystar University.

Eng. Ndeto has worked for Kenya Power and Lighting Company (KPLC) for 23 years. By the time he left that employment he held the position of the Chief Distribution Manager, the highest technical position in the company. During his time at KPLC, he trained with the Central Electricity and Generation Board (CEGB) of United Kingdom and SwedPower, the main power utility in Sweden.

Eng. Ndeto brings vast experience from the banking industry too, having served in Kenya Commercial Bank (KCB) Board in various capacities: From 2002 to 2004, he served in the Group Board and at the same time, he was a Director of KCB South Sudan subsidiary. From 2005 to 2010 he was the Chairman of the KCB Sudan subsidiary and at the same time serving in the group Board. Between 2012 and 2014, he was the Group Chairman of the KCB Group, with general oversight responsibilities of KCB Tanzania, KCB Uganda, KCB Rwanda, KCB Burundi and KCB South Sudan and KCB Kenya.

Eng. Ndeto was a member of Board of Directors in Westconsult, an electrical Consulting firm whose primary work is to design, construct and commission power systems.

Eng. Ndeto is the chairperson of the chair of Development and Finance Committee



Between 2002 and 2013, he served as a member of the Board of Directors for Kenya Electricity Generating Company (KenGen), where he chaired the Strategic Committee of the company and also Board Audit Committee of the Company.



Mr. Abdalla Hassan Abdalla - Independent Trustee (effective 05th August 2022 Up to 16th June 2023)

Mr. Abdalla Hassan Abdalla is a member of the Board of Trustees of the Water Sector Trust Fund (WaterFund), having been appointed in August 2022.

Mr. Abdalla previously served as a Board member of the Ewaso Ng'iro North Development Authority for two terms.

Mr. Abdalla is a well-rounded businessman with a wealth of experience spanning many years, having been instrumental in resource mobilisation, successful implementation and helping the realisation of several projects including boreholes, dams and water pans in Northern Kenya. This has helped to alleviate suffering among pastoralists and animals in this arid and semi-arid lands (ASAL) area of Kenya.

Mr. Abdalla's business area of specialisation is real estate development besides also having interest in the Civil engineering sector and the aviation industry. Having excellent management and business skills, he is highly competent in making business proposals to push forward the welfare of marginalised communities in Northern Kenya.

Mr. Abdalla is the founder and sponsor of Siyad Football Tournament in Wajir whose theme is No to Radicalisation and Yes to Peace. Through his philanthropic activities, he is involved in other Corporate Social Responsibility (CSR) activities in order to give back to the community.

Mr. Abdalla brings a wealth of experience from the private sector and the corporate world to the Water Sector Trust Fund.

Mr. Abdalla holds a Bachelor's degree in Business Administration.

Ms. Theresa Khakasa Wasike - Alternate Trustee to PS: Ministry of Water & Sanitation and Irrigation (Up to 10th July 2023)

Ms. Theresa Khakasa Wasike is the Water Sector Trust Fund's Alternate Trustee to the Principal Secretary in the Ministry of Water, Sanitation and Irrigation, having been appointed in June 2022.

Ms. Wasike currently serves as the Director Administration, Ministry of Water, Sanitation and Irrigation. She brings a wealth of experience in Public Administration having served in different Administrative capacities in both field and central Government Administration. She has previously served in the Ministry of Interior & Coordination of National Government as a District Officer in Western and Rift Valley regions.



Ms. Wasike is a graduate of the Ukrainian Institute of International Relations, Kiev University, where she graduated with Masters of Arts in International Relations.

2. BOARD OF TRUSTEES (Continued)



Mr. Mbatia Kimani - Independent Trustee (Effective 5th July 2022 up to 21st July 2023)

Mr. Mbatia Kimani holds a Bachelor of Commerce Degree from the University of Nairobi. In addition, he has an MBA from the Edinburgh Business School (UK) and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Mbatia has over 30 years of Board and Senior-level Management and Multi-Country experience in a diverse range of industries both in employment and in private business.

Mbatia is proficient in International Corporate Business Leadership and Governance, Strategic Planning and Business Development. He has varied professional skills particularly in all facets of Financial Management, Auditing, Restructuring, Lean Manufacturing, Acquisitions and Cutting-Edge Business Solutions. In addition, he is adept in Turnarounds, Organisational and Cultural Transformation and working effectively with persons from other cultures and all walks of life.

Mbatia brings along vast experience to WaterFund having served in different organisations. He has served as a Board Director at Kenya Airports Authority and was at different times the Chairman of the Finance and Strategy Committee and the Audit Committee of the Board.

Mbatia also served as a Director at Orion Lubricants, the Chevron/Caltex lubes distributor in Tanzania, Finance Director/CFO for Middle East & Africa Region for ASSA ABLOY while based in Johannesburg, South Africa. Others include Group Financial Controller at Kenya Airways (KQ), Group Financial Controller for Best Foods & CPC (Corn Products), Chief Accountant at Coca-Cola Africa, Management Accountant at Unga Ltd, and Chief Internal Auditor at the Kenya Cooperative Creameries (KCC) Ltd.

Mbatia has acquired vast training in Board and Senior Management Development / Leadership / Governance Programs around the world.

Mbatia is the chair of the Audit and Risk Assurance Committee

Eng. Joseph Kimani Ngacha - Independent Trustee (effective 16th June 2023)

Eng. Joseph Kimani Ngacha, is a member of the Board of Trustees at the Water Sector Trust Fund (WaterFund), contributing his extensive expertise in civil engineering and construction management to advance WaterFund's mandate. Eng. Ngacha's educational background is anchored in a Bachelor of Science degree in Civil Engineering from the University of Nairobi, where he achieved the distinction of graduating with Honours in 1977.

With a remarkable career spanning over three decades, Eng. Ngacha, has demonstrated his prowess in construction management. His track record is characterized by the successful oversight of multi-million-shilling projects, effectively navigating them from conceptualization to their ultimate completion. He is not only a seasoned engineer but also a founding member of the esteemed Kenya Federation of Masters Builders (KFMB), a testament to his dedication to the development of the construction industry.

Eng. Ngacha boasts a diverse professional background, having held pivotal roles within the Ministry of Public Works and Housing, as well as Kenya Railways. His tenure in these institutions has encompassed various capacities, including Principal Engineer and District Civil Engineer, showcasing his versatility and in-depth knowledge of civil engineering practices.

Presently, Eng. Ngacha, occupies the position of Managing Director at Jipsy Civil and Building Contractors Ltd., a position that underscores his leadership acumen and ability to drive successful projects in the construction sector. His extensive experience and industry insights align seamlessly with WaterFund's mandate as he contributes his wealth of knowledge to support the same.



2. BOARD OF TRUSTEES (Continued)

Ms. Gladys Wekesa, OGW, - Alternate Trustee to the Principal Secretary, Ministry of Water, Sanitation and Irrigation (effective 11th July 2023)

Ms. Gladys Wekesa serves as the Alternate Trustee to the Principal Secretary, Ministry of Water, Sanitation and Irrigation. She currently holds the position of the Director of Transboundary Water Resources in the Ministry of Water, Sanitation, and Irrigation in Kenya. Her impressive academic journey includes an MSc. and BSc. in Geology from the University of Nairobi, along with being a Registered Geologist recognized by the Geologists' Registration Board.



As the Director, Ms. Wekesa assumes a crucial responsibility: spearheading the sustainable management and development of Kenya's transboundary water resources. She achieves this through formulating pertinent policies, strategies, and protocols in collaboration with stakeholders and riparian states. Her membership in various Technical Advisory Committees (TACs) of regional inter-governmental bodies underscores her leadership, including the Nile Basin Initiative, the Lake Victoria Basin Commission, AMCOW, IGAD Water Unit, and the UNEP Coordinated Project on the Sustainable Development of Lake Turkana and its River Basins between Kenya and Ethiopia.

Ms. Wekesa's role in TACs exemplifies her commitment to guiding shared water resource management with strategic insights. Her presence adds significant value to the overall policy direction and sustainable development of transboundary water resources.

Mr. Barako Qatamur - Independent Trustee (Effective 12th June 2023)



Mr. Barako Elema Qatamur brings a wealth of legal expertise and a distinguished career in the judiciary to his role as a vital member of the Board of Trustees at the Water Sector Trust Fund (WaterFund). His background within the legal landscape of Kenya spans over a decade with dedicated service within the Judiciary for more than 11 years, as the Head of Protocol in the Office of the Chief Justice.

Holding a Master of Arts in Diplomacy and International Studies from the University of Nairobi, Mr. Qatamur demonstrates a broad understanding of international relations and diplomacy. Furthermore, his academic foundation includes a Post Graduate Diploma in Law from the Kenya School of Law, a Bachelor of Laws Degree (LLB), and a Bachelor of Arts in Journalism and Media Studies (Public Relations).

In recognition of his leadership potential and management acumen, Mr. Qatamur has completed the Senior Management Course from the Kenya School of Government (KSG), further enhancing his strategic decision-making skills.

Notably, Mr. Qatamur is a Certified Professional Mediator, indicative of his dedication to alternative dispute resolution mechanisms. His professional affiliations encompass membership in various bodies such as the Law Society of Kenya, Public Relations Society of Kenya, Protocol & Diplomacy International – Protocol Officers Association, and Mediation Training Institute International, USA.

2. BOARD OF TRUSTEES (Continued)

Mr. Andrew Mbithi - Independent Trustee (Effective 21st July 2023)

Andrew Mbithi Muiya is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Holding a BSc degree in Governance and Leadership from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Mr. Mbithi combines academic excellence with a wealth of leadership experience.

Mr. Mbithi's extensive leadership journey includes serving as the leader of the Majority Coalition in the County Assembly of Embu, showcasing his adeptness in strategic collaboration. His dynamic career spans roles such as Treasurer at CDF Mbeere South Constituency and Director at Elite Logistic Ltd. His remarkable contributions extend to chairing both Embu County Council and Mbeere County Council.

With diverse experiences ranging from national intelligence services (special branch) to the Kenya Police Force, Mr. Mbithi's comprehensive background brings unique perspectives to the Board. WaterFund anticipates leveraging his profound expertise in leadership to drive impactful initiatives and promote positive change within the water sector.



Mr. Lucas Chepkitony - Independent Trustee (Effective 21st July 2023)



Mr. Lucas Kipkosgei Chepkitony is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Holding a Post-graduate degree in Animal Production from the Agricultural University of Norway and a Bachelor of Science in Agriculture from New Mexico State University, USA, Mr. Chepkitony's academic foundation underscores his commitment to excellence.

With a diverse career spanning agriculture and related sectors, Mr. Chepkitony's impact has been far-reaching. Notably, during his tenure as Member of Parliament for Keiyo North Constituency, he served as a member and vice-chair of the Agriculture committee, showcasing his dedication to agricultural development.

Mr. Chepkitony's extensive professional journey includes leadership roles such as Director at the Pest and Agricultural Chemical Product Board, Managing Director of Rift Valley Textile Limited (Rivatex), General Manager at Agro-Chemical and Food Company Ltd, Muhoroni, and Deputy Managing Director at Muhoroni Sugar Company.

His influential presence extends beyond his corporate roles. He served as Chairman of the Kenya Association of Manufacturers (KAM) Eldoret Chapter, held positions on boards including the National Management Board of Kenya Association of Manufacturers and the National Management Board of Federation of Kenya Employers (FKE), and contributed to educational institutions as a member of various boards and committees.

Mr. Chepkitony's remarkable wealth of expertise, garnered from diverse leadership positions, is a valuable asset. His distinct blend of industry knowledge and strategic insight serves as a catalyst for driving positive impact within Kenya's water sector.

Ms. Maryan Ubah Mohamed - Independent Trustee (Effective 21st July 2023)

Maryan Ubah Mohammed is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Armed with a Bachelor of Arts (BA Hons) degree in International Relations with Political Science from the University of Birmingham, UK, Maryan combines her academic foundation with a stellar 13-year career in the Human Services field.

With meticulous attention to detail, Maryan is a consummate professional, renowned for her organizational prowess. Her adeptness in leadership, strategic task development, and administrative support is underlined by her effective communication skills. She champions marginalized and at-risk populations through program development, exemplifying her dedication to positive change.

Maryan is a collaborative and analytical force, proficient in forging partnerships and advocating for communities in need. Her presence on the Board underscores WaterFund's commitment to impactful change in the water sector, driven by Maryan's passion for equitable development.



2. BOARD OF TRUSTEES (Continued)



Ms. Winfred Wanjiku Njoroge - Independent Trustee (Effective 08th December 2022)

Ms. Winfred Wanjiku Njoroge serves as the Deputy Inspector-General, State Corporations at the Inspectorate of State Corporations. Within the Board of Trustees of the Water Sector Trust Fund (WaterFund), she represents the Inspector-General, State Corporations, bringing her wealth of experience and expertise.

With an impressive career spanning over 18 years, Ms. Njoroge possesses a diverse background in both public and private sectors. Her proficiency encompasses corporate governance, Human Resource instrument development, public policy advisory, public sector reforms, board evaluation, project monitoring & evaluation, and media monitoring.

Her commitment to governance excellence and efficient service delivery earned her the esteemed Head of State Commendation (HSC) in December 2021. Ms. Njoroge's dedication extends to continuous education, having completed courses in public sector governance, corporate governance, and governance audit.

Educationally, she holds a Master of Business Administration (MBA) degree in Operations Management and a Bachelor of Arts degree in Economics and Sociology, both from the esteemed University of Nairobi. She further enhances her expertise with a Diploma in Project Management from the Kenya Institute of Management (KIM).

Ms. Winfred Wanjiku Njoroge's multifaceted background and passion for governance fortify the WaterFund Board of Trustees. Her role ensures effective representation of the Inspector-General's office and contributes significantly to WaterFund's pursuit of increasing access to water and sanitation to underserved and marginalised communities.

Josphine Eregae, Independent Trustee (Effective 21st July 2023)

Josphine K. Eregae is an integral member of the Water Sector Trust Fund (WaterFund) Board of Trustees. Holding a Master of Science in Leadership and Governance from Jomo Kenyatta University of Agriculture and Technology, along with a Bachelor's Degree in Arts (Education) from Bugema University, Ms. Eregae combines academic excellence with a rich professional background.

With over a decade of experience in Government Relations, Ms. Eregae's expertise shines. Her impactful leadership roles have included steering County Departments in policy development, lobbying, advocacy, and organizational management. Her strategic acumen comes to the forefront in fostering enhanced relationships with county legislators and stakeholders.

As an accomplished Executive Director, Ms. Eregae is recognized for driving progress through adept team leadership and development. Her career has spanned diverse roles such as Executive Director of Horn of Africa, County Executive Committee Member for Education, Youth, Sports, Gender, Culture & Social Services, and County Executive Committee Member for Water, Sanitation, Energy, Environment & Climate Change.

Her hands-on experience extends to her tenure as Ward Administrator within the County Government of Isiolo. Ms. Eregae's multifaceted background enriches WaterFund's initiatives, bringing invaluable knowledge and expertise to the Board. Her presence contributes significantly to the Fund's vision of sustainable funding of safe water and sanitation for all.



2. BOARD OF TRUSTEES (Continued)

Marselino Malimo Arbelle - Independent Trustee (Effective 01st September 2023)

Marselino Malimo Arbelle is a member of the Water Sector Trust Fund (WaterFund) Board of Trustees. He holds a Bachelor of Business Management (Marketing) degree from Mt. Kenya University (MKU), Kenya, which forms the foundation of his extensive professional journey.

Mr. Arbelle is a seasoned Business Manager and Administrator with a multifaceted skill set honed over the years. His expertise spans sales, marketing, client relations, human resources, and financial management. He excels in orchestrating operational functions and leading teams to achieve remarkable success.

His career includes a tenure as the Member of Parliament for Laisamis Constituency and service as a Member of the National Assembly in the Kenyan Parliament. During this time, he contributed his insights and skills to committees dealing with Security, Budget, and Powers and Privileges, demonstrating his commitment to effective governance.

Mr. Arbelle's professional journey also encompasses roles such as Country Manager at Trojan International-South Sudan, Sales and Marketing Manager at Hass Petroleum-Rwanda, and Sales and Marketing and Security Inspector at Firestone EA Ltd-Kenya. His tenure as a police officer with the Kenya Police Service further underscores his dedication to public service and security.

Marselino Arbelle's leadership acumen, innovative problem-solving abilities, and team-building skills add significant value to WaterFund. His diverse experience and expertise are invaluable assets as the organization pursues its mandate to increase water and sanitation access to underserved and marginalised areas in Kenya, making a positive impact within the water sector and beyond.



Ms. Halima Ali – Corporation Secretary

Ms. Halima Ali joined the Fund as Corporation Secretary and Legal Manager 2018. She is an advocate of the High Court with Bachelor of Law Degree from University of Nairobi and LLM from Queen Mary University of London through Commonwealth Scholarships and currently finalising her second masters in International Finance and Regulations from Strathmore University and a member of the Institute of Certified Secretaries.

Halima is also an associate member of Chartered Institute of Arbitrators, a certified mediator and member of Commonwealth Scholarship Commission alumni advisory panel.

Halima has been the Managing Partner of HH Associates Advocates and has worked with other law firms including Meritad Law Africa, Bulle & Company Advocates, Swaleh and Company Advocates under the department of Commercial and Conveyancing.

3. MANAGEMENT TEAM



Chief Executive Officer

Mr. Willis Ombai

Mr. Willis Ombai – Chief Executive Officer

Mr. Ombai is a Developmental Expert with a bias in Natural Resource Management and with over 20 years' experience in various countries in Africa serving in different capacities. He holds Masters of Arts Degree in Project Planning and Management from Maseno University, Bachelor of Science Degree in Forestry from Moi University. He is currently pursuing a Ph.D in Environment Policy from University of Nairobi.

Mr. Ombai has extensive experience in management of development projects financed by bilateral, global and national agencies including World Bank, European Union, DANIDA, German Development Bank, International Fund for Agricultural Development, The Gates Foundation, Government of Sweden, Government of Finland and Government of Kenya.

In his previous portfolio as a Chief Manager, Investments and Programmes, Mr. Ombai's key role was overall supervision of implementation of investments across WaterFund through monitoring and development of quality and timely reporting to Development Partners, Board of Trustees and other key stakeholders. He led in development of short to long term investment strategies, development and review of proposals for resource mobilisation, establishment and strengthening of partnerships.

Mr. Ombai previously worked as a Project Coordinator at Open Society Initiative for Southern Africa, a Civil Society Organisation on Sustainable Land Management (SLM) Project for Sub-Saharan Africa funded by the United Nations Development Programme (UNDP). Key among his responsibilities was to provide strategic leadership to the project teams in budgeting, stakeholder engagement, grant management risk assessment and assurance. High-level reporting for transparency and accountability in compliance to best practices, national and international environmental laws was also part of his responsibilities.

Mr. Ombai has been serving as the Secretary and Advisor to the WaterFund Board of Trustees (Investments & Monitoring Committee) on broader issues pertaining investments in water, sanitation and water resources management projects, monitoring, evaluation accountability and learning. Mr. Ombai has also previously worked for World Agro Forestry Centre (International Centre for Agroforestry-ICRAF), Danish International Development Agency and National Environment Trust Fund amongst others.

Mr. Ombai is a member of Forestry Society of Kenya, Environmental Institute of Kenya and Institute of Directors (Kenya).

3. MANAGEMENT TEAM (Continued)



**General Manager,
Corporate Services**

Mr. Samwel Gitau Mbugua,
B. Com (Accounting), MBA,
CPA (K)



**General Manager, Internal Audit &
Risk Management**

Mr. Edwin Korir, B.Ed. (Arts), MBA,
CPA (K)



**General Manager, Partnership
Development & Resource
Mobilisation**

Mrs. Ruth Nganga, BA (Theology),
PGC, Ed



**General Manager, Legal
Affairs & Corporation
Secretary**

Mrs. Halima Ali Abdullahi
Bachelor of Laws (LLB),
LLM, Certified Mediator,
Associate Member of
CIARB, CPS



**Manager, Urban Investments/
Commercial Financing**

Mr. Thomas Nyangau BSc. Eng, MBA
Strategy



**Manager, Water Resources and
Climate Change Investments**

Eng. Rose Nyikuri, BEng (Civil), MSc
(WREM), R. Eng., MIEK



**Manager, Human Resources and
Administration**

Mr. Paul Atwa, BA (HR), Higher Dip. HR,
MBA(On-going)



Manager, ICT & Corporate Affairs

Mr. Bernard Njenga, B. Com (Business
Information Systems), MBA (MIS),
Dip (Comp)



Manager, Rural Investments

Mr. Peter Koech, BSC. Eng. Civ

3. MANAGEMENT TEAM (Continued)



**Ag. Manager, Research, Planning and
M&E (effective 13 November 2020)**

Mr. Elly Ochere, MBA, BSC Actuarial
Sciences with IT



**Manager, Supply Chain
Management**

Mr. Panuel Nyaga, MSC Procurement
& Logistics, BCOM (Marketing),
Diploma in Purchasing & Supplies

4. CHAIRPERSON'S STATEMENT

This Financial report has been prepared in accordance to the guidelines set out by The National Treasury and informs of the Water Sector Trust Fund (WaterFund) Financials for the Financial Year 2022/2023. The report reflects the achievements made by WaterFund in relation to its mandate, challenges and lessons learnt during the period. The report demonstrates the ability to meet its mandated obligation under the Water Act 2016 section 113 and in line with its strategic plan direction. The Fund faced numerous challenges presented by global economic crisis and the political situation in the country that tremendously prompted extensive social and economic disruption resulting in slowed gross domestic product (GDP). These challenges further exacerbated the WaterFund's already high-risk investment environments that is the underserved and marginalized areas.

In the face of these challenges, the Fund realized significant progress in improving access to water and sanitation services as well as sustainable management of water resource, in the year under review. It enhanced access to **105,524** people with clean water services and **51,805** people with basic and dignified sanitation services, conserved approximately **247.5** hectares of degraded catchment and achieved **36,457.6M³** additional storage volume through the financed projects under Rural, Urban and Water Resources Investments. It is our conviction that this achievement could have been better in the absence of the political and economic disruptions among other challenges.

It is noteworthy that the Fund realised significant improvement in most of its core indicators as well as on the overall performance, the Fund has put in place strategies for the realization of quality and sustainable projects that enhances access to water and sanitation services as well as water resources management in the targeted underserved and marginalized areas.

In performance front, the WaterFund's performance for FY 2022/2023 was evaluated on the implementation of the performance contract targets. The evaluation was conducted by the Public Service Performance Monitoring and Management Unit (PSPMMU) which rated the performance as **Very Good** with a composite score of **2.9731** as per the evaluation criteria.

The achievements presented in this report are as a result of mutually beneficial cooperation and partnerships by various stakeholders. Together, we will continue to make our aspirations a reality, in line with the WaterFund's formulated Strategic Plan 2023-2027, which will focus at how to scale, accelerate and transform the lives of Kenyans through improved access to water and sanitation and with sustainable management of water resources.

In spite of our operational challenges and the challenges presented by economic, social and political environments, we are confident that we have the right partnerships, commitment and capabilities to meet our obligation ahead; to promote the national agenda presented in the National priority plan (BETA), National climate change action plan, National water master plan and the Vision 2030 through Medium Term Plan IV and global commitments including the Sustainable Development Goals (SDGs).

We appreciate the support from all our stakeholders and look forward to sustaining the cooperation in future. At WaterFund, we are convinced that the journey to realise the objects and aspirations of the Water Act, 2016, is on course and the short-term implementation challenges will be overcome.

Corporate Strategy

The WaterFund under the leadership of the Board of Trustees has continued the implementation of its Strategic plan 2018-2022 during the period under review. WaterFund's current Strategic Plan 2018-2022 was reviewed as its timeframe was scheduled to end on 30 June, 2022. However, WaterFund did seek an extension of the Strategic plan by a further one year from the Ministry of Water, Sanitation and Irrigation and also the State Department for Economic Planning. This was to allow for the development of a new strategic plan that is fully aligned to the Sectoral planning cycle and the Fourth Medium Term Plan (MTP IV), the 5th generation strategic plan development guidelines as well as the Government's priority areas (BETA).

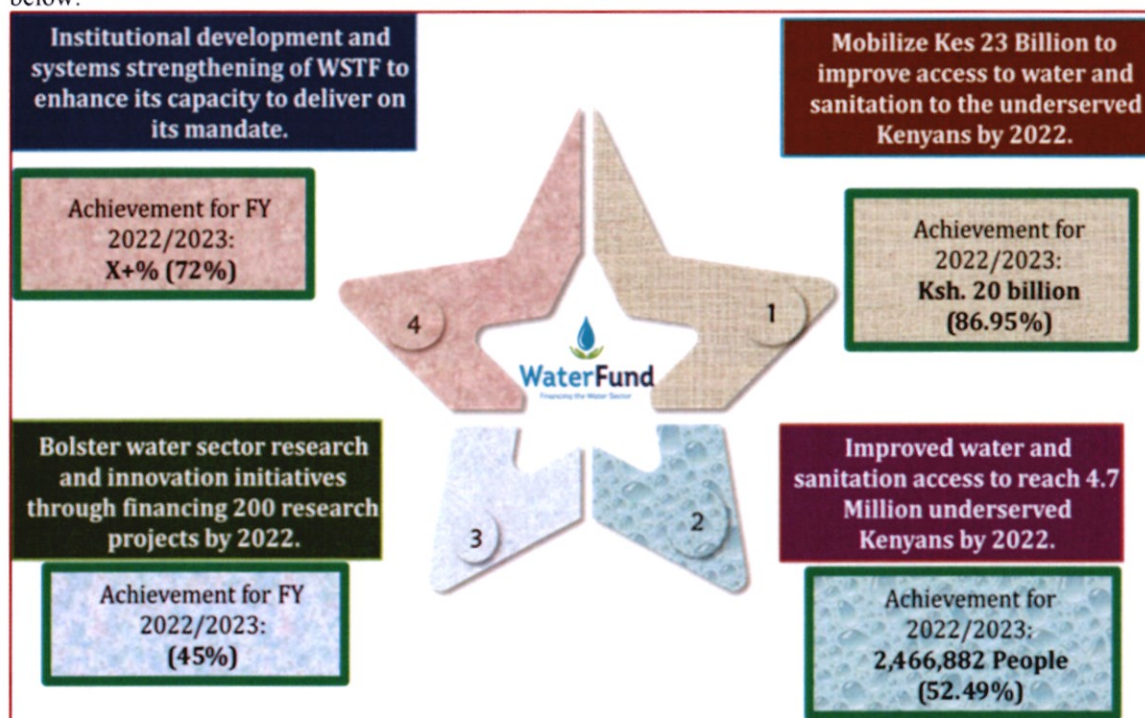
With this regard, WaterFund with the support of a consultant, undertook an evaluation of the current Strategic Plan 2018-2022. The challenges, lessons learnt and the stakeholder's feedback on the Strategic Focus areas were documented and have informed the formulation of the new Strategic Plan 2023-2027. The consultant presented final draft to the Fund for review in readiness for stakeholders validation workshop.

4. CHAIRPERSON'S STATEMENT (continued)

Corporate Strategy (continued)

Key documented challenges affected implementation of the strategic plan 2018-2022 was budget rationalization by The National Treasury this predicament affecting all strategic objectives. Specifically, the rationalization of budget, budget reductions to already approved projects for financing; limited budgetary allocation for roll out of research and innovation planned activities and implementation of institutional capacity enhancement programmes.

In spite of above stated challenges, WaterFund is on track in terms of achievements of the commitments as set out in the strategic goals. In the period under review the WaterFund realized exceptional progress as summarized below:



Summary of strategic goal achievements

Institutional Performance Management

During the FY 2022/2023, the Board of Trustees on behalf of the WaterFund signed a commitment with the Ministry of Water, Sanitation and Irrigation in the form of a performance contract (PC) outlining the strategic intents of the WaterFund towards achievements of its mandate. The targets of the PC are delegated to management for implementation and cascaded down to all staff.

WaterFund negotiated and vetted its performance contract for FY 2022/2023 which was prepared in accordance with the 19 cycle guidelines. In the same period, the WaterFund's performance for FY 2021/2022 was evaluated on the implementation of the performance contract targets. The evaluation was conducted by the Public Service Performance Monitoring and Management Unit (PSPMMU) which rated the performance as **Very Good** with a composite score of **2.9731** as per the evaluation criteria.

Research and Innovation Financing Framework and Policy

Section 114 (d) of the Water Act 2016, mandates the Fund to undertake coordinated and innovative research activities in the areas of water services, water resources management, sewerage and sanitation that will support financing, implementation, operation and maintenance of effective and sustainable pro-poor services, water resources management, sewerage and sanitation services for enhanced economic growth.

WaterFund developed a robust research and innovation financing framework and policy through a consultative process to guide the financing of incubation of research ideas and innovations that will contribute to generation of new knowledge and efficient service delivery in the sector.

4. CHAIRPERSON'S STATEMENT (continued)

Research and Innovation Financing Framework and Policy (continued)

In this regard, due to complexity in management of research studies and innovations, the WaterFund developed a Research and Innovation Information Management System (RIIMS) with the intent of operationalizing the Framework and Policy through automation of the processes.

It is worth noting that the RIIMS has been onboarded on to the government eCitizen portal following the directive of the President for government services to be onboarded onto eCitizen. This means that access to the system is authenticated through eCitizen.

The Fund anticipates that the system will be rolled out in quarter one of the FY2023/24.

ISO 9001:2015 Recertification

The potential benefits to an organization of implementing a quality management system based on this international standard includes: the ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements; facilitating opportunities to enhance customer satisfaction; addressing risk and opportunities associated with its context and objectives; and the ability to demonstrate conformity to specified quality management system requirements.

During the period under review, the WaterFund undertook ISO 9001:2015 Internal and External surveillance audits to assess conformance to the ISO standards and to the statutory and regulatory requirements of the Standard. The Fund's surveillance audits achieved satisfactory performance, thus maintained its QMS certification status as verified by the Kenya Bureau of Standards the Certification Body.

The WaterFund is due for recertification in FY 2023/2024, therefore the Fund has initiated the preparatory activities geared towards recertification. Key scheduled activities are: training of internal auditors on the ISO 9001:2015 Standard, review of the documented processes in Q Pulse and undertaking of internal audits.

Thank You.



Dr Erick K. Rutto
Chairman, Board of Trustees
Water Sector Trust Fund

5. REPORT OF THE CHIEF EXECUTIVE OFFICER

On behalf of the management of Water Sector Trust Fund (WSTF), it gives me great pleasure to present to you our annual report and financial statements for the year ended 30 June 2023.

Water Sector Trust Fund is funded by the Government of Kenya and Development Partners. WaterFund therefore places great value on developing and nurturing partnerships as part of its resource mobilization activities.

During the period under review, WaterFund undertook various activities aimed at mobilizing additional and sustainable financing. These included nurturing partnerships; development, follow-up and submission of funding proposals; development and operationalization of sustainable products and business models; consultative and networking activities among others. WaterFund signed two (2) financing agreements worth Ksh.12.2 billion with the World Bank, for the Programmes Horn of Africa (HOA), and the Conditional Liquidity Support Grant for Covid Recovery under the Water and Sanitation Development Programme (WSDP). USAID WASH FIN provided support worth about Ksh.30 million for feasibility study towards WaterFund's Loan Facility. The Embassy of Denmark approved an additional Ksh.300 million to WaterFund as an addendum to the ongoing SWASAP Programme.

Further, WaterFund signed three (3) collaboration frameworks for research initiatives and technical support to programmes and implementing partners. The collaboration was signed with Strathmore University Business School, Water.org and Millenium Water Alliance, valued at a total of Ksh.250 million.

During the period, the Fund developed and submitted funding proposals worth a total of Ksh.14 billion to the World Bank, Danida, KfW, AfDB, CIFF, Gatsby Africa and Water and Sanitation for the Urban Poor (WSUP). The Fund further continued to follow-up on prior submitted proposals to Green Climate Fund and the Public Invest Financing (PIF) of Finland, both worth an additional Ksh.18 billion.

WaterFund held four (4) Steering Committee Meetings with Funding Partners, to take stock of status and progress of programmes, and deliberate on pertinent Institutional and Partnership issues. The Fund also held various bilateral and consultative forums, and participated in national and international forums, in a bid to nurture more partnerships and enhance resource mobilization efforts. WaterFund Funding Partners during the period included European Union, World Bank, German Development Bank (KfW), Denmark, Gates Foundation, IFAD and the Saudi Fund for Development.

BUSINESS PERFORMANCE

Revenue

Water Sector Trust Fund earned revenues amounting to KShs. 1,761 million from the development partners, the Government of Kenya and other revenues from exchange transactions. The Government of Kenya contributed KShs. 369.5 million, development partners contributed KShs. 1,380 million while revenues from exchange transactions amounted to KShs. 11.3 million.

The Government of Kenya support to WaterFund experienced a decrease of 7% from the previous year. The support from the development partners made significant impact in the performance that made Water Sector Trust Fund earn funds amounting to KShs 1,379 million representing an increase of 71%. WaterFund remained liquid throughout the year experiencing high liquidity towards the end of the financial year due to increased support from the development partners and the government. WaterFund is projecting increased support from the development partners as well as the government.

Cash flow

The cash and cash equivalents decreased from KShs. 1,065 million as at 30 June 2022 to KShs. 948 million as at 30 June 2023. Towards the end of the financial year, there was significant cash outflow in form of funding of projects to WSPs.

Employees

Water Sector Trust Fund (hereinafter referred to as WaterFund, The Fund) values and invests heavily in human capital for realisation of its strategic objectives and mandate. To ensure continued realisation of its stakeholders' expectations, WaterFund commits to always avail adequate, high calibre and motivated human resource capacity for the provision of its services to humanity.

5. REPORT OF THE CHIEF EXECUTIVE OFFICER (Continued)

Employees (continued)

During the year under review, WaterFund continued to actualize the gradual implementation of its revised Human Resource Policy Instruments which are key in the achievement of its expanded mandate. By the end of the Financial Year 2022/2023, the Fund's Staff Establishment stood at 96 staff out of the 175 authorized in the Staff Establishment as compared to 91 staff during the FY 2021/2022. This has continued to increase the efficiency and effectiveness in the delivery of the Fund's strategic objectives.

The Fund values and believes in building strong teams to achieve its objectives and improve staff morale, communication and working relationships. It facilitated four safe space successful staff meetings across the quarters which enhanced constructive interaction and bonding amongst the staff.

The Fund also managed to continue building the capacity of its staff through various trainings and continuous professional development programmes despite the budgetary cuts advanced in the course of the year.

In the year under review, the Fund continued to deliver on its cross-cutting performance contracting commitments leading to the attainment of an overall performance contractual rating of "Very Good" with 100% ratings in HIV/AIDS and Road Safety Mainstreaming. The staff satisfaction index which measures staff perceptions on interactions with the Fund improved from 84% in the previous year to 86% in the year 2022/2023. The Fund was also evaluated by the Public Service Commission on the extent to which it complied with the values and principles mentioned in Articles 10 and 232 of the Constitution of Kenya, 2010 and was given a High Achievers Rating of 83.98%. The Fund also developed and approved five additional policies to guide in the management of cross-cutting issues which include Disability Mainstreaming Policy, HIV/AIDS Policy, Alcohol and Drug Abuse Prevention Policy, Gender Mainstreaming Policy and Sexual & Gender-Based Violence Policy.

The Fund continued to implement the Post Covid-19 Protocols and Recovery Strategies as issued by the Ministry of Health including the provision of Personal Protective Equipment (PPEs) and a safe and healthy work environment for its employees.

In the pursuit to realize the Constitutional requirement and 5% threshold for engagement of Persons with Disability (PWDs), the Fund's score in the period under review stood at 2.13%. The Fund is alive and cognizant to align itself to the constitutional threshold by encouraging PWDs to apply for advertised positions within the Fund and also engaging youths who live with disability in internships and industrial attachments as well as ensuring the continued balancing of diversity provisions for disadvantaged groups as provided for in the Constitution. The Fund registered an overachievement in internships and industrial placements having engaged 19 interns and attachees against its performance contracting commitment of 13 interns and attachees.

The Fund also undertook a capacity building programme on Advanced Road Safety Training for its drivers to adequately equip them with the necessary advanced road safety skills with an expectation to positively impact the monitoring and execution of projects in the long-run.

The Fund closed the year by celebrating individual and collective efforts from its staff by issuing gift vouchers to staff following their hard work during the year in the midst of the various challenges presented by post Covid-19 effects and other external factors.

Conclusion

We appreciate the unrelenting support from the Board of Trustees, management, staff, development partners, implementing partners and all the key stakeholders. We look forward to the continued partnerships and cooperation in areas of mutual interest.



Mr. Willis Ombai
Chief Executive Officer
Water Sector Trust Fund (WSTF)

6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Water Sector Trust Fund has 4 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019 - 2022/2023. These strategic pillars are as follows:

Pillar 1: Mobilize Kshs 23 Billion to improve access to water and sanitation to the underserved poor by 2023.

Pillar 2: Improved water and sanitation access to reach 4.7M people underserved Kenyans by 2023.

Pillar 3: Bolster water sector research and innovation initiatives through financing 200 projects by 2023.

Pillar 4: Institutional development and systems strengthening of WSTF to enhance its capacity to deliver on its mandate.

WaterFund develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The *Fund* achieved its performance targets set for the FY 2021/2022 period for its 4 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Mobilize Kshs 23 Billion to improve access to water and sanitation to the underserved poor by June 2023.	To increase resources available for investment in water, sanitation, water resources and research projects.	%Increase in GoK budgetary allocation Amount in Kshs (B) of new funding commitments from new & existing Partners	Engage GoK for increased budgetary allocation Engage existing & new Partners for Increased Funding to WSTF	6No. Project Concept Notes developed and submitted for consideration by GOK for Financing Kshs 2.65 Billion realized in new signed agreements
Pillar 2: Improved water and sanitation access to reach 4.7M people underserved Kenyans by 2023.	To increase the number of people with access to improved water services and basic levels of sanitation services	No. of people reached with increased access to water services No. of people reached with sanitation services No. of water resources management initiatives financed	Financing of Water projects to increase access to water services provision Financing of Water projects to increase access to water services provision Financing of Sub Catchment Management Plans and Participatory Forest Management Plans activities	40No. Water projects financed increasing access to 178,000 people with improved water services 29No. Sanitation projects financed increasing access to 94,370 people with improved sanitation services 66No. Water resources projects/initiatives financed to conserve/rehabilitate degraded catchments
Pillar 3: Bolster water sector research and innovation initiatives through financing 200 projects by 2023	To generate new knowledge and utilize innovations to improve service delivery in the water sector in areas of water, sanitation, sewerage and water resources	No. of Research Initiatives Financed	Financing of Research and Innovations to bolster knowledge in the water sector	WaterFund completed the development of its Research and Innovation Information Management System (RIIMS) which has been onboarded unto the Government's eCitizen portal as part of the digitization of government services in line with the Presidential directive. This implies that the RIIMS is accessible to all Kenyans with eCitizen accounts as access to the system is authenticated through eCitizen. The RIIMS system is be utilized by

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
				potential Researchers and Innovators in application for financing
Pillar 4: Institutional development and systems strengthening of WSTF to enhance its capacity to deliver on its mandate	To improve the capacity of the Institutional to deliver on its mandate	No. of Staff trained to address institutional gaps.	Training of Staff to address institutional gaps	46No. of staff trained on various courses to institutional address gaps identified.

7. CORPORATE GOVERNANCE STATEMENT

Water Sector Trust Fund, established under Section 113 of the Water Act, 2016, is a water sector financing institution mandated to provide conditional and unconditional grants to counties and to assist in financing the development and management of water services in marginalized areas or any area considered by the Board of Trustees to be underserved.

The Fund remains committed to the highest standards of corporate governance. Good corporate governance practices are essential to the delivery of long term and sustainable stakeholder and shareholder value. To this end, The Fund is committed to ensuring compliance with the laws that govern it, namely the Constitution of Kenya 2010; The Water Act 2016; The State Corporations Act; The Public Finance Management Act; The Public Procurement and Asset Disposal Act and The Public Officer Ethics Act.

Essential to the corporate governance framework in the Fund is its formal governance structure, which has the Board of Trustees at its apex, playing an oversight role over the management of the Fund. This governance structure is designed to ensure an informed decision-making process based on accurate reporting to the Board by Management.

THE BOARD OF TRUSTEES

The powers and functions of the Fund are exercised and performed by a Board of Trustees, pursuant to Section 115 of the Water Act, 2016. The Trustees are from time-to-time appointed by the Cabinet Secretary.

The Board comprises a chairperson; six other members recruited in accordance with the First Schedule and representative of the Attorney General; Principal Secretary Ministry of Water, Sanitation and Irrigation and the Principal Secretary, National Treasury.

Powers and Functions of the Board of Trustees

The statutory powers and functions of the Board of Trustees are set out in Section 116 of the Water Act, 2016. Additionally, the Board of Trustees is responsible for the long-term strategic direction of the Fund. To this end, it guides in policy development and is responsible for the recruitment of the Chief Executive Officer and the holders of other senior managerial positions in the Fund.

In the 2022/2023 FY, the Board of Trustees duly exercised its powers and functions and to this end:

- a) Managed the resources of the Fund;
- b) Mobilized additional resources for the Fund;
- c) In consultation with the Ministry of Water, Sanitation and Irrigation, formulated the Projects Funding Criteria to be used for financing projects, which is to be tabled in Parliament in the next financial year;
- d) Monitored the implementation of projects;
- e) Maintained and made publicly available information on the projects financed and impact of such projects, through the Fund's website and social media platforms;
- f) Received grants for onward lending to water services providers, counties, and registered community schemes towards water services and water resources management projects for the underserved areas and urban poor;
- g) Establish and manage subsidiary funds as may be necessary for sustainable financing towards water services and water resource management; and
- h) In collaboration with relevant institutions develop incentive programmes for water resources management including disaster management, climate change adaptation and mitigation.

COMPLIANCE WITH MWONGOZO CODE OF GOVERNANCE

a) Board Membership

WaterFund is committed to adhering to the provisions of Mwongozo Code of Governance with regard to the membership of the Board. In the 2022/2023 financial year, the Board of Trustees consisted of a Chairperson, seven members and the Chief Executive Officer, who was an *ex officio* member. Each Board member was formally appointed to the Board through a Gazette Notice as is required under Mwongozo. The appointments duly considered the mix of skills and competencies required for the achievement of the Fund's long-term goals. The Board also comprised a financial expert with expertise in financial management. Further, one third of the Board members were independent members, within the meaning set out in Mwongozo.

7. CORPORATE GOVERNANCE STATEMENT (Continued)

COMPLIANCE WITH MWONGOZO CODE OF GOVERNANCE (Continued)

b) Board Induction

In line with the requirements of Mwongozo Code of Governance, the Board of Trustees underwent a comprehensive induction programme upon appointment. This induction gave the Board an orientation of the organization, its core statutory function, its departmental structure and its policies. The Board was also trained on Corporate Governance.

c) Board Training

The Board of Trustees underwent three trainings in the 2022/2023 financial year, in compliance with the requirements of Mwongozo on continuous skills development.

d) Preparation of an Annual Work Plan

The Board of Trustees ensured the development of an Annual Board Work Plan which guided its operations through the financial year.

BOARD COMMITTEES

Board Committees are critical to the oversight role played by the Board. They facilitate the utilization of the expertise and diversity of the Board members and ultimately contribute to the efficient conduct of board business. Mwongozo recommends that the Board should establish not more than four committees. In line with this requirement, The Board of Trustees established and transacted its business through four Board committees in the 2022/2023 financial year, namely:

i) Investment & Monitoring Committee

This Committee was established to guide the Board of Trustees in making prudent investment decisions aimed at financing viable water and sanitation projects and to provide organizational guidance on the monitoring and evaluation of funded projects.

The Trustees who served on this committee during the year under review were:

S/No.	Name	Position in committee
1	Mr. Fredrick Josiah	Chairperson
2	Mr. Kevin O. Opiyo,	Member
3	Mr. Mbatia Kimani,	Member
4	Ms. Mary Wambui Kimani (PhD)	Member
5	Mr. Abdalla Hassan Abdalla	Member

ii) Fund Development and Finance Committee

This Committee was established to guide the Board in financial and resource mobilization matters in order to ensure that there are effective systems for financial management, resource rationalization and professional performance. The Committee provides guidance, advice and recommendations to the Board on Fund Development and Finance matters, to enable WaterFund to achieve its goals.

The members who served on this committee during the year under review were:

S/No.	Name	Position in committee
1	Eng. Musa Ndeto	Chairperson
2	Mr. Fred O. Josiah	Member
3	Mr. Abdalla Hassan Abdalla	Member
5	Mr. Daniel Mutua	Member

iii) Audit and Risk Committee

This Committee was established to advise the Board of Trustees on institutional risk management and compliance. It assesses the effectiveness of the system of internal controls and risk management.

The members of this Committee during the year under review were:

7. CORPORATE GOVERNANCE STATEMENT (Continued)

BOARD COMMITTEES (Continued)

iii) Audit and Risk Committee (Continued)

S/No.	Name	Position in committee
1.	Mr. Mbatia Kimani	Chairperson
2.	Mr. Kevin Opiyo	Member
3.	Ms. Mary Wambui Kimani (PhD)	Member
4.	Ms. Theresa Wasike	Member
5.	Mr. Daniel Mutua	Member

iv) Human Resources and Administration Committee

The Committee was established to provide guidance to the Board on Human Resources and Administration matters and to ensure that there are effective systems for the management of human resources and administrative operations at the Fund.

The members of this Committee during the year under review were:

S/No.	Name	Position in committee
1.	Ms. Mary Wambui Kimani (PhD)	Chairperson
2.	Eng. Musa Ndeto	Member
3.	Mr. Kevin Opiyo	Member
4.	Mr. Abdalla Hassan Abdalla	Member
5.	Ms. Theresa Wasike	Member

BOARD MEETINGS

Mwongozo Code of Governance requires the Board to meet regularly as is required and at least quarterly in order to ensure the effective governance of the organization. In compliance with this requirement, the Board of Trustees met quarterly to monitor the implementation of the WaterFund's Strategic Plan and the achievement of the targets in the Performance Contract signed with the Government. The Board of Trustees also played an oversight role over all other financial and operational issues. It held four Board and three special Board meetings during the Financial Year 2022/2023, the last of which was done with the approval of the Cabinet Secretary, Ministry of Water, Sanitation and Irrigation.

COMMUNICATION WITH STAKEHOLDERS

WaterFund, through its Board of Trustees, is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. This is done through the Fund's Corporate Communications Department, the Annual Stakeholders Conference and through participation in some of the Fund's public engagement activities.

In the 2022/2023 FY, the Board of Trustees participated in various stakeholder forums, as follows:

- The Board held an introductory meeting with Development Partners on 9th November, 2022. During the meeting, the Board outlined its vision for sustainable financing of the WaterFund and increased collaboration with the Private Sector. The Development Partners committed to continue supporting WaterFund in its programmes and operations, within the Partners' key areas of focus. The forum was attended by the Ministry of Water, Sanitation and Irrigation; WaterFund Board and Management; and Development Partners collaborating with WaterFund on various programmes and activities.
- Representatives of the Board participated in each of the six public participation forums on the Projects Funding Criteria held across the country. The forums, held in Turkana, Isiolo, Mombasa, Kisumu, Nairobi and Kericho, enabled the Board to engage with members of the public on the Fund's programmes and on the Projects Funding Criteria.

7. CORPORATE GOVERNANCE STATEMENT (Continued)

COMMUNICATION WITH STAKEHOLDERS (Continued)

- c) The Board participated in the launch of various projects across the country. The Board nominated at least two representatives to join the Management of the Fund in commissioning completed projects across the country.

STATEMENT OF COMPLIANCE

The Board of Trustees confirms that Water Sector Trust Fund has throughout the FY2022/2023 complied with all statutory and regulatory requirements and that the Fund has been managed in accordance with the principles of good corporate governance.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

The Trustees are responsible for reviewing the effectiveness of WaterFund's system of internal control, which is designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against unauthorized use or disposition and the maintenance of proper accounting records and the reliability of financial information used within the business or for publication. These controls are designed to manage rather than eliminate the risk of failure to achieve business objectives due to circumstances that may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

WaterFund continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an ongoing basis. The Board of Trustees has delegated the responsibility of the review of the effectiveness of WaterFund's internal controls to the Audit and Risk Committee.

An annual risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing WaterFund, is prepared by the Internal Audit and Risk Assurance Department for approval by the Audit and Risk Committee.

The Audit and Risk Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Committee ensures that management takes appropriate action. No significant weaknesses were identified during the current financial year.

Standing Instructions

The WaterFund has several approved standing instructions key among them being the Code of Conduct and Ethics, the Service Charter, the Human Resources Policy and Finance Policy that apply to all employees. These have several standing instructions to employees of WaterFund designed to enhance internal control. The WaterFund has also designed a set of standing instructions to be followed in the financing of projects in each investment.

The Board of Trustees and all staff are required to sign the Code of Conduct and Ethics at the time of joining the Fund in order to enhance compliance.

Organization Structure

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

7. CORPORATE GOVERNANCE STATEMENT (Continued)

Strategic Plan

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

Risk Management

WaterFund has in place a risk management framework that guides the Fund in identifying, assessing, and managing the risks. The Fund has developed a risk register that documents and prescribes mitigating measures of all the risks both external and internal facing the Fund. The risk management framework and register are regularly reviewed to incorporate any emerging issues in the operating environment. The risk management is coordinated by the General Manager, Internal Audit and Risk Assurance assisted with a management team drawn from the various departments/sections. This team reviews all the risks in WaterFund and updates the risk register and ensures that all new and emerging risks are appropriately evaluated, and any further actions identified. The identified risks are reported to the Audit and Risk Committee to assist the Board in the management of risks.

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently.

As part of follow-up of findings from external and internal audits, an action plan is prepared to assist in tracking the status of implementation of the various recommendations. This status is shared with various stakeholders including the Development Partners. This is done on a quarterly basis.

External Auditor

WaterFund is audited by the Auditor-General, Republic of Kenya. The Auditor-General had however delegated this function to an independent auditor, Deloitte & Touché, LLP, Certified Public Accountants as per Sections 23 of the Public Audit Act, 2015.

8. MANAGEMENT DISCUSSIONS AND ANALYSIS

WaterFund's core operating activity has been the financing support to projects for improved access to water and sanitation and investments in water resources. The Government of Kenya has supported WaterFund in the engagement of new partners and its support in honouring the counterpart funding.

During the year, WaterFund earned revenue of KShs. 1,761 million from GOK, European Union (EU), Kreditanstalt fuer Wiederaufbau (KfW) (German Government Bank), International Fund for Agricultural Development (IFAD), Government of Denmark and the World Bank for water, sanitation and water resources management projects and other revenues from exchange transactions. The funds received from the Government of Kenya represented support to operations and development to the rural and urban investments.

FUNDS MOBILIZATION AND PARTNERSHIPS

During the period under review, WaterFund undertook various activities aimed at mobilizing additional and sustainable financing. These included nurturing partnerships; development, follow-up and submission of funding proposals; development and operationalization of sustainable products and business models; consultative and networking activities among others. WaterFund signed two (2) financing agreements worth Ksh.12.2 billion with the World Bank, for the Programmes Horn of Africa (HOA), and the Conditional Liquidity Support Grant for Covid Recovery under the Water and Sanitation Development Programme (WSDP). USAID WASH FIN provided support worth about Ksh.30 million for feasibility study towards WaterFund's Loan Facility. The Embassy of Denmark approved an additional Ksh.300 million to WaterFund as an addendum to the ongoing SWASAP Programme.

Further, WaterFund signed three (3) collaboration frameworks for research initiatives and technical support to programmes and implementing partners. The collaboration was signed with Strathmore University Business School, Water.org and Millenium Water Alliance, valued at a total of Ksh.250 million.

During the period, the Fund developed and submitted funding proposals worth a total of Ksh.14 billion to the World Bank, Danida, KfW, AfDB, CIFF, Gatsby Africa and Water and Sanitation for the Urban Poor (WSUP). The Fund further continued to follow-up on prior submitted proposals to Green Climate Fund and the Public Invest Financing (PIF) of Finland, both worth an additional Ksh.18 billion.

WaterFund held four (4) Steering Committee Meetings with Funding Partners, to take stock of status and progress of programmes, and deliberate on pertinent Institutional and Partnership issues. The Fund also held various bilateral and consultative forums, and participated in national and international forums, in a bid to nurture more partnerships and enhance resource mobilization efforts. WaterFund Funding Partners during the period included European Union, World Bank, German Development Bank (KfW), Denmark, Gates Foundation, IFAD and the Saudi Fund for Development.

COMMERCIAL FINANCING/ URBAN INVESTMENTS DIVISION

The Commercial financing / Urban investments programme is a funding mechanism of the WSTF established in the year 2007 to finance extension of water and sanitation services in urban low -income areas of Kenya. The financing of the extension of the water services is done through commercial financing, grants and subsidies. The programmes financing grants and subsidies includes; Urban Project Concept (UPC) and Up-Scaling Basic Sanitation for the Urban Poor (UBSUP). UPC is funded by the German Development Bank (KfW) and the Government of Kenya (GoK) while the UPSUP is funded by KfW, the Bill and Melinda Gates Foundation (BMGF) and GoK. The Commercial financing investments includes the Aid of Delivery (AoD) programme financed by KfW Bank and the Conditional Liquidity Support Grant (CLSG I&II) which is financed by the World Bank.

Upscaling Basic Sanitation for the Urban Poor (UBSUP)

The UPSUP programme is financed to a total of KShs. 1.46 billion by KfW and is targeting 400,000 beneficiaries with improved sanitation services as well as 200,000 beneficiaries with clean and safe drinking water. The programme has been able to achieve the milestones laid down by the development partners. The UPSUP programme, since inception, has increased sanitation access to 490,000 people of which 100,780 people has been reached through the household toilets constructed and 490,000 people through the completed Decentralized Treatment Facilities (DTFs) for treatment of sludge. Monitoring of the let projects was done during the financial year as well as training the DTF operators that were completed during the period.

The 3rd Call for UPSUP was advertised and the proposal submitted were undertaken through the appraisal process, i.e. desk, detailed and field appraisal. A total of 22no. projects qualified for implementation under UPSUP 3rd Call for proposals.

8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

COMMERCIAL FINANCING/ URBAN INVESTMENTS DIVISION (Continued)

Urban Project Concepts (UPC) 8th Call

The UPC investments focuses on the extension of water supply and improvement of sanitation situation in public places. Up to date, the programme has financed 406 projects, some of which the progress is ongoing. During the financial year 51 UPC projects under the 8th call for proposals were approved for funding. These consisted of 38 water projects and 13 Public sanitation projects. Out of the 51 projects 43 have been financed where disbursements were made to various projects within the reporting financial year.

The programme targets to benefit 107,905 and 8,800 people with affordable, economically viable and sustainable access to safe water and basic sanitation respectively to the urban poor. During the period under review, 11,565 people were reached with clean water services and 800 people with dignified sanitation services.

Aid on Delivery (AoD)

The Aid on Delivery (AoD) program is financing the implementation of water supply and sanitation improvement projects through, licensed urban Water Service Providers (WSPs) incorporated under the Companies Act, across the 47 counties in Kenya. The program is targeting to provide formalised services to 45,000 beneficiaries in the unserved and underserved urban areas. The projects implemented by the WSPs are pre-financing through commercial loans from local lenders after which they will be eligible to receive a once-off subsidy of up to 50 percent after the achievement of pre-agreed targets. The subsidies are strictly used to repay the loans borrowed by the WSPs from the local lenders.

The first capacity building workshop done to sensitize the WSPs on AoD project proposals application. This was followed by Call for proposals which was made on 5th April, 2022. 33 WSPs submitted proposals which were subjected to desk and detailed screening. At the screening stage, 20 WSPs qualified to move to the next stage of field appraisals. The field appraisal for the WSPs was completed on August 2022 and resulted in the selection of 7 WSPs.

WSTF has embarked on procurement of the National Consultant to support the selected WSPs in preparation of detailed designs and bankable proposals. The procurement process for the National Consultant is in progress with the evaluation of technical proposals being complete.

Conditional Liquidity Support Grant (CLSG) 1

A total of Kshs. 2.95 Million disbursed during the year to 77 WSPs as variable and fixed grants. Capacity building workshops was done where 77 WSPs participated in the training of the monthly financial reporting CLSG under the quick start quick finish interventions has given access to water to a total population of 18,000 and amounts to Kshs. 601 Million which was disbursed as fixed grant. The other amount was disbursed as variable grant.

So far, 52% of completion reports from WSPs have been received (41 WSPs/79 WSPs). An Audit on Financial Management of CLSG 1 was done by the World Bank and recommendations given. In addition, 3 monitoring and expenditure verification exercises were undertaken in 77 participating WSPs. It is worth noting that there have been delays in disbursement of funds consequently delaying the implementation of the CLSG 1 quick start quick finish interventions and the Preparation of draft CLSG 1 Closure report.

The next stage is undertaking project closure activities such as;

- i) Review and compilation of completion reports from WSPs financed, 45 out of 79 WSPs who have submitted their reports
- ii) Preparation of the Programme closure report, this has been submitted to Ministry of Water, Sanitation and Irrigation (MoWSI) for review.

8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

COMMERCIAL FINANCING/ URBAN INVESTMENTS DIVISION (Continued)

Conditional Liquidity Support Grant (CLSG) II

CLSG II is being implemented after successful implementation of CLSG I. The project is financed through the Water Sector Development Programme (WSDP). Subsidiary Agreement for the implementation of the programme was signed by the National Treasury, Ministry of Water Sanitation and Irrigation (MoWS&I) and WSTF on 16th March 2023 to pave way for commencement of the programme.

The focus of CLSG II is supporting financial recovery of WSPs to pre-COVID levels. However, the programme is performance-based funding 77 interventions in 31 WSPs. It involves grant conversion calculation from repayable to non-repayable options depending on the Water Service Providers performance. To facilitate implementation of the programme, WSPs are required to open and maintain bank accounts and sign an MoU on the implementation arrangements.

WSTF and WASREB, which is the technical advisor of the programmes have signed a Memorandum of Understanding (MoU) showing the obligations of each party in the programme. WSTF is waiting for final clearance of the programme by World Bank to proceed to signing of the Grant Agreements with the 31no. beneficiary Water Service Providers and the respective County Governments.

WATER RESOURCES & CLIMATE CHANGE INVESTMENTS (WRCCI)

The Upper Tana Natural Resources Management Project (UTaNRMP) was a ten-year programme (2012-2023) having received a project extension till the end of June 2023. It was supported by the Government of Kenya, the International Fund for Agricultural Development (IFAD) and the Spanish Trust Fund through the Water Sector Trust Fund in the financing of Water Resources Users Associations (WRUAs) and Community Forest Association (CFAs) activities. The programme objective is to enhance sustainable management of water resources and natural resources in the six counties of Nyeri, Embu, Meru, Kirinyaga, Tharaka Nithi and Murang'a at an estimated grand budget of Kshs.740.5 million. By end of June 2023, 95.3% of the programme budget had been disbursed to WRUA and CFA activities through the WaterFund.

Cumulatively, 59 No. WRUAs and 35 No. CFAs have been supported against a programme targets of 61 No. WRUAs and 33 No. CFAs respectively. In the year 2022/2023; 61 No. new groups (comprising of 60 No. WRUAs and 1 No. CFA) were funded at a total cost of Ksh 170,756,777.90. At grassroot level, through the CFA activities, 247.5 hectares of gazetted forest area was rehabilitated with 247,500 seedlings grown in order to have long term positive impacts of reduced pressure on forests and forest related products. Improved nutrition at household level was also achieved through the procurement and production of fruit and agroforestry seedlings. 10 No. Bamboo greenhouses were constructed as a livelihood activity with the impact of improved livelihoods within the benefitting WRUA and CFA communities.

In regards to water resource management; 26 No. springs were protected; Four (4) No. water pans, two (2) No Sand dams and 1 earth dam were constructed to increase water storage in the Upper Tana catchment. Six (6) master meters installed during the financial year. Riparian marking, pegging and conservation of a total of 7 Kilometres was pegged and planted with 4,000 bamboos along Maragua River. Seventy two (72) scouts trained to enhance forest protection and 4 No. eco-tourism camps were constructed.

WATER AND SANITATION SERVICES INVESTMENT

The water and sanitation services investment programme's objective is to finance water and sanitation projects in the underserved rural communities across Kenya. The key implementers are Rural Water Service Providers (WSPs), Water Users Associations (WUAs) and Non-Governmental Organizations (NGOs) who are involved in the preparation, planning, implementation operations water and sanitation projects. Provision of water and sanitation services is a devolved function, with WaterFund working closely with the County Governments in identifying target projects, underserved areas, provide co-financing to projects, oversight and coordination of activities. In FY 2022-2023, the water and sanitation services investments implemented a number of activities under the Climate Proofed Infrastructure Programme (CPIRA) and Sustainable Management and Access to Water and Sanitation in the ASALs (SWASAP) Investments.

8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

WATER AND SANITATION SERVICES INVESTMENT

Climate proofed infrastructure Programme- EU CPIRA

WSTF issued 3rd call for proposals on 2nd August, 2022 where a total of 105 Projects' proposals were received (27No. Water projects, 34No. PSFs, 10No. CLTS and 34No. WRUAs). After both the desk and field appraisals, 2No. water projects, 18No. PSFs, 2No. CLTS and 5No. WRUAs projects were recommended and approved for funding while 8No. Water Projects were recommended for detailed designs. Additionally, WSTF completed designs for 3No. water projects under the 2nd call. 8No. water projects, 9No. PSFs and 11No. WRUA projects were monitored during the financial year. WSTF also launched 2No. water projects while 1No. water project was commissioned.

WSTF completed implementation of 2No. Water projects, 6No. PSFs, 1No. CLTS and 2No. WRUA projects reaching a total beneficiary of 58,046 people. Disbursements were done to 6No. water projects, 11No. PSFs, 2No. CLTS and 7No. WRUA projects amounting to Kshs 462,652,432.11.

Under the Public Private Community Partnerships (PPCP) result area, 7No. PPCPs were signed, 8No. Counties have been trained on Governance, Risk and Compliance, 14No. Water management committees were trained on financial and technical management and capacity building activities conducted to Water Management Committees. Additionally, Commercial viability assessment of water supply systems conducted and Nolturesh and Nalepo WRUAs were trained in Kajiado.

Sustainable Management and Access to Water and Sanitation in the ASALs (SWASAP).

Under the programme, a total of Kshs. 85,074,980.00 was expended to support 17 integrated projects after the financing Agreements were signed and the first disbursements made. Since this programme is implemented through co-financing by the county Governments, four Counties contributed ksh.62.6 million out of the envisaged kshs.123.1 million. These funds will support the implementing partners in implementation of the agreed projects milestones.

In the financial year, a number of milestones were achieved that comprised of capacity building of the target Counties and implementing Partners on finance and procurement management training, 283 participants were trained. The implementing partners commenced undertaking of the preliminary activities majoring on Environmental and social Impact audits, surveying and designs.

Other activities involved Community Led Total Sanitation training for the Implementing partners, and triggering of 148 villages and construction of 807 households' latrines. 13 quality assurance monitors (QAMs) comprising of engineering, finance and sociologists were procured, inducted and deployed to the 6 target counties to play the role of projects oversights during the implementation.

Saudi Fund for Development (SFD)

Under the Programme, WaterFund held a number of meeting with the National Treasury and the consulting team with the aim of reviewing the Programme progress and exploring ways to unlock the existing implementation challenges.

On tax exemptions, the Parties agreed to revise the Memorandum of Understanding (MOU) to make income tax from the Consultant and Contractors taxable according to Kenyan law. While on the withdrawal application, it was agreed that this will apply the existing stipulations as spelt out in the Kenya's Public Finance Management Act.

8. MANAGEMENT DISCUSSIONS AND ANALYSIS (Continued)

Major Risks facing the Fund

Water Fund has put in place an Enterprise Risk Management (ERM) framework. The ERM was developed and approved by the Board of Trustees. ERM contains the risk management policy and framework of the Water Fund, the risk universe, risk assessment, modalities of treatment of risks, responsibility of risk management, monitoring framework and reporting. In the framework, key exposure high-risk areas were identified, and risk mitigation measures developed.

The key high-level risks identified, and mitigating measures put in place are as follows;

- Financial risk; Financial risks faced by the fund are market risk, credit risk, liquidity risk, and operational risk.
- Competitive trends: Many institutions are undertaking similar work being done by the Fund and thus there is competition for the resources from various Development Partners.
- External Policy and Strategy risks; various Development Partners which the Fund is getting support from have been changing their external policies and strategies and this may affect the Fund in terms of resource mobilization and support.
- Fraud and Corruption; the Fund is facing the risks of fraud and corruption by the Implementing Partners who receive Funds for project implementations.
- Economic Trends: The current international economic situation is changing and may affect the Fund in resource mobilization strategies.
- Political Environment: the political risks at the County and National Government may affect the process of project implementation.
- Financial Environment: current economic and inflationary pressures may affect the funding of various projects. This could lead to delay in execution of funded projects.
- Changing Demographics; changes in demographics affects the projects implementation and difficulty in reaching nomadic populations who are main beneficiaries.
- Resources (Budgeting and Resources allocation); The Government of Kenya and other Development partners may change the priorities in resources allocation thus affecting the Fund.
- Climate Change: Climate change has affected the sustainability of the funded projects.
- Physical Environment: The Fund finance projects in Arid and Semi-Arid Lands (ASAL) areas which could have harsh physical and climatic conditions.
- Socio – Cultural issues; various socio-cultural issues affects the projects implementation.
- Health, Safety and Environment; risk of security issues in areas funded by the Fund.
- Capacity of Implementing Partners; the capacity of implementing partners affects the pace of projects implementation.

Risk Management process has been integrated in the daily operation of the Fund and risk identification, assessment and mitigating measures are put in place. Various head of departments and divisions have been allocated various roles in risk management.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

SUSTAINABILITY STRATEGY

Water Sector Trust Fund is keen to achieve financial and institutional sustainability and undertook various measures during the period towards this target. These included development of a framework for sustainable business models and development of a Revenue Generation Policy. Further, the Fund undertook a feasibility study to review and refine the Loan Facility model. WaterFund has continued to engage Government, Development Partners, Commercial Banks and Implementing Partners in order to garner support for the proposed Loan Facility. The facility will enable WaterFund to issue loans blended with commercial financing from the banks, which, when repaid, will form a sustainable revolving facility.

Further, WaterFund has continued with efforts to secure land and budget for an office Complex, which will enhance the work environment, promote the brand of the Institution, and serve as a high value asset to enhance bankability of the Fund. This will pave way for participation in investment activities of high and sustainable returns, including the Capital Markets.

In its business models, WaterFund envisages additional income from realizing the proposed water levy, implementing a proposed carbon trading project, and research and innovation activities that result in monetizing the Fund's knowledge hub, providing knowledge exchange forums on Sector financing and investments, among other initiatives.

ENVIRONMENTAL PERFORMANCE

Following the Cabinet Secretary meeting held on 6th December, 2022, it was resolved that the Ministry of Water, Sanitation and Irrigation and its Agencies will participate in the National Tree Growing Restoration Campaign countrywide. To achieve the above the Ministry launched the tree planting campaign together with Water Sector Institutions in order to support the National Government's target of 10% forest cover.

In order to support the National Government Initiatives of increasing forest cover, including support of the Presidential Directive Circular Ref No. OP/CAB/26/1.3A dated 4th June 2018 on inclusion of tree planting in CSR activities of public institutions, WaterFund has participated in several tree planting activities so as to satisfy the anticipated outputs of the presidential directives.

To achieve the above the WaterFund Ministry undertook the following tree planting activities in the FY 2022/2023 which are further detailed in this report.

1. Sasumwa Water Catchment in Nyandarua
2. Lamu Water Catchment Area restoration
3. Plant today Save Tomorrow Tree planting initiative by Koibatek University Student Association
4. 2023 Eldoret Cycle 100 Tree Planting initiative by Keino Foundation

A. SASUMWA WATER CATCHMENT IN NYANDARUA

INTRODUCTION

Status of Aberdare Forest

The Aberdare Forest Reserve is approximately 98,000 hectares and the National Park is 77,000 hectares that largely form Aberdare Forest Ecosystem. In recent years, it has experienced deforestation either by rising human activities and or natural causes such as fire and dynamic climatic conditions. This year, a total of 20,000 hectares was destroyed by fire outbreaks.

The Sasumua Water Catchment which is part of the Aberdare has also experienced deforestation and degradation over the years, leading to the loss of these essential ecosystem services. Increased human activities, such as logging and agricultural expansion, have taken a toll on this once lush and vibrant landscape.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

A. SASUMWA WATER CATCHMENT IN NYANDARUA (Continued)

Tree-planting activities at Aberdare Catchment in Nyandarua County

On 14th April, 2023, Hon. Dr. Chris Wamalwa, Chief Administrative Secretary (CAS), Ministry of Water, Sanitation and Irrigation (MoWSI), launched the national tree planting campaign and restoration of the Sasumua Water Catchment in Nyandarua County. Through this campaign, the MoWSI joined by water sector institutions aim to plant 200,000 tree seedlings as part of their commitment to; restore and protect Aberdare catchment which has experienced deforestation by rising human activities and natural causes such as fire and dynamic climatic conditions among others.

In view of the above, Water Sector Trust Fund (WaterFund) joined the MoWSI in conjunction with Athi Water Works Development Agency and other water sector institutions; in a tree planting exercise at Aberdare catchment, which resulted in the planting of 10,000 tree-seedlings. WaterFund supported this noble activity by donating 1,000 tree-seedlings and mobilizing the community to participate in the tree planting exercise. These tree seedlings represent the hope for a greener and more sustainable future. They will serve as a legacy for future generations, providing shade, improving air and water quality, and supporting biodiversity. In addition, they will help to restore the natural balance of the ecosystem and protect the Sasumua Dam, which is a vital water source.

Key Notes

Survival Rate: Trees planted had a 85% Survival Rate

B. LAMU WATER CATCHMENT AREA RESTORATION

INTRODUCTION

The Shella-Kipunguani water catchment area is located in Amu Island in Lamu Sub-county. It consists of a continuous series of ridges of sand dunes that acts like a sponge capable of storing rain water. This storage provides the source of fresh water for the island. The sand dunes stretch 11 kilometers along the southern border of the island from Kizingoni to Singue next to Shella village.

The water retained in the sand dunes is the only fresh water source for the Island and the neighboring Manda Island the water is drawn from 30 wells managed by Lamu Water and Sewerage Company (LAWASCO) situated in the Shella well field about 2 kms south west of Lamu town.

The fresh water availability together with rich cultural and historical background made Lamu town to be listed as a world heritage site in 2004 and this made it an international tourist destination. However, in the recent past, there has been rampant establishment and development of beach resorts within the water catchment area, cutting down of trees to create land for development along the sand dunes, which has adversely affected dune formation process, natural vegetation cover and water infiltration process. This together with the expanding population has reduced the water catchment size and hence may cause reduction of effective fresh

WaterFund Supports the National Tree Planting Campaign In Lamu County

Dr. Kipronoh Ronoh, the Principal Secretary, Ministry of Water, Sanitation and Irrigation (MoWSI) led a delegation from the Ministry, and supporting agencies to Lamu County; where he launched the National tree planting campaign on 25th April, 2023. The activity was in support of enhancing water catchment conservation efforts in Lamu County, in addition to supporting the National Government's efforts to plant over 15 Billion Trees by 2032. In reference of the afore mentioned, the Ministry resolved to have all its agencies offer leadership and support towards the National Tree Growing Restoration Campaign by planting trees across the Country.

In view of the above, Water Sector Trust Fund (WaterFund) joined the MoWSI, in conjunction with Water Resources Authority and Coast Water Works Development Agency in the national tree planting exercise at Lamu sand dunes catchment area. The activity resulted in the planting of 8,000 tree-seedlings, of which WaterFund supported the campaign by donating 1,000 tree-seedlings.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

B. LAMU WATER CATCHMENT AREA RESTORATION (Continued)

WaterFund Supports the National Tree Planting Campaign In Lamu County (Continued)

Speaking during the event, Dr. Kipronoh Ronoh noted that the County Government of Lamu should explore immediate and result oriented solutions to provide water and sanitation services to the County residents and one such way was to conserve the degraded Lamu Sand Dunes catchment within the County. He also added that those people who have encroached or otherwise illegally obtained public land earmarked for preservation and protection of water catchment will be arrested and prosecuted for similar or related charges. The PS gave a stern warning to those found culpable that the government will not let them go scot free. He cited that in the coast region alone, about 177,000 acres of land set aside for catchment conservation, 100,000 have been grabbed.

All those affected counties are hitherto directed by PS Ronoh to seek immediate audience with the leadership in their areas of jurisdiction in order to quickly work with the Ministry of Water, Interior and National Land Commission to bring back sanity, patriotism and integrity in the manner public land earmarked for preservation of the environment and ecosystem should be protected at all costs.

Key Notes: Survival Rate: Trees planted had a 92% Survival Rate

C. PLANT TODAY SAVE TOMORROW TREE PLANTING INITIATIVE

INTRODUCTION

Koibatek University Students Association was established in 2003 by a group of like-minded university students as a means of giving back to the community that educated them. With a goal to empower the community within Mogotio and Eldama Ravine, KOUSA has been at the forefront championing the plight of children, youths, elderly and the marginalized.

KOUSA came up with the idea of conducting a tree planting activity in 2017 with the purpose of

- Promote personal and professional development of about 500 students in Mogotio and Eldama Ravine constituencies by the end of 2023.
- Increase mentorship programs to 20 schools in Mogotio and Eldama Ravine constituencies by the end of 2023.
- Planting 1000 trees in selected schools to promote environmental conservation in Mogotio and Eldama Ravine constituencies.
- Planting 15000 trees annually in koibatek districts

WaterFund Support

WaterFund supported the initiative by donating 1,500 tree seedlings out of 4,500 supported by other institutions and organizations.

Key Notes

- **Survival Rate:** Trees planted had a 92% Survival Rate in Eldama Ravine and 85% in Mogotio

D. 2023 ELDORET CYCLE 100 TREE PLANTING INITIATIVE BY KEINO FOUNDATION

INTRODUCTION

The 2023 Eldoret Cycle 100 tree planting initiative objectives was to engage cyclists, partners, sponsors, and the local community members participating in the upcoming Eldoret Cycle 100 event to plant trees at the Kaptagat Forest, Elgeyo Marakwet County. The event was held in Eliud Kipchoge Foundation Allocation in Kaptagat Forest, Elgeyo Marakwet County. During the event 1000 tree seedlings were purchased encompassing: 800 indigenous and exotic seedlings planted at Kaptagat Forest; and 200 indigenous seedlings to be planted at Ilula Secondary School at the Cycling Event.

There were several positive aspects of the event which were a result of proper planning and coordination by the organization and the agency. Precise planning of the tree planting session by the event team and forest personnel as well as the Eliud Kipchoge Foundation who allowed us to use their allocation in the Forest. Professional handling of the tree planting exercise by the agency, the Forest department, and the local community.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

D. 2023 ELDORET CYCLE 100 TREE PLANTING INITIATIVE BY KEINO FOUNDATION (Continued)

During the sports event there was a brief and compact period of speeches and tree planting exercise ceremony with the introduction of the partners and sponsors of the event. Positive attention to the Water Sector Trust Fund organization and other partners as a result of the successful tree planting exercise. There was a photo session of the participants after the exercise and interviews with the main protagonists who showed up. The preparation of the tree planting area was done very well and the holes were dug by members of the local community. The exercise ended after 2000 seedlings were planted in total by all partners and the occasion was blessed with great weather. WaterFund supported the event with 1,500 indigenous tree seedlings.

SUMMARY

County	Specific planting sites	Target: - No. of seedlings - Area (Ha)	Achievements: - Seedlings planted - Area planted (Ha)	Tree species by category - Indigenous No. - Exotic No. - Fruits No.	Survival rate
Nyandarua County	Sasumwa Water Catchement in Aberdare Ranges	- 1000 seedlings - 2 Hectares	- 1,000 seedlings - 2 Hectares	- All 1,000 seedlings were indigenous	85%
Lamu County	Lamu Sand Dunes in Shella	- 1000 seedlings - 2 Hectares	- 1,000 seedlings - 2 Hectares	- All 1,000 seedlings were indigenous	90%
Eldama Ravine	Mogotio and Eldama Ravine	- 1500 seedlings - 3 Hectares	1500 seedlings - 3 Hectares	- All 1,500 seedlings were indigenous	Eldama Ravine- 92% Mogotio- 85%
Uasin Gichu	Eldoret in Kaptagat Forest and Ilula Secondary School	-2000 seedlings -5 hectares	-2000 seedlings -5 hectares	All 2,000 seedlings were indigenous	90%

Employee welfare

Water Sector Trust Fund (hereinafter referred to as WaterFund, The Fund) values and invests heavily in human capital for realisation of its strategic objectives and mandate. To ensure continued realisation of its stakeholders' expectations, WaterFund commits to always avail adequate, high calibre and motivated human resource capacity for the provision of its services to humanity.

During the year under review, WaterFund continued to actualize the gradual implementation of its revised Human Resource Policy Instruments which are key in the achievement of its expanded mandate. By the end of the Financial Year 2022/2023, the Fund's Staff Establishment stood at 96 staff out of the 175 authorized in the Staff Establishment as compared to 91 staff during the FY 2021/2022. This has continued to increase the efficiency and effectiveness in the delivery of the Fund's strategic objectives.

WaterFund has always maintained high standards of compliance especially on issues of conducive work environment as per the requirements of Occupational Safety and Health Act 2007 and WaterFund HR Resources policy section 14. In addition, the Fund insured all the staff under Group Personal Accident and Work Injury Benefits Act insurance covers to address any future incidences that may occur in line with duty.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

Employee welfare (Continued)

The Fund has well developed and approved Human Resource Policies (July 2019) which include HR policy Manual, Career Progression guidelines, staff establishment, grading system and salary scale. These policy documents support all processes for recruitment, (inclusiveness), retention, motivation, and separation. The policies are complied with to the letter. The policies are reviewed on regular bases to address Government directives through circulars as issued from time to time and emerging issues.

In terms of gender mainstreaming and abiding by the requirement of the COK 2010 on affirmative action, during the period under review the Fund achieved and surpassed the affirmative action requirement of either gender a third rule as follows; male to female 61.8% to 38.2% respectively.

The Fund has clear career path lines with specific areas of speciality as per the approved career progression guidelines (2019), staff establishment and approved job descriptions by SRC. This helps in staff training and development needs assessment that leads to addressing issues of upward morbidity and redesignations.

The Fund has a comprehensive performance appraisal system (Balanced score card) where staff are evaluated bi-annually and annually. The performance evaluation is used to identify areas of strength and improvement including identifying skills gap and including recommendations for mitigation measures. The Fund closed the year by celebrating individual and collective efforts from its staff, pursuant to Section 8.14 of its Human Resource Policies and Procedures Manual, 2019 on Rewards and Sanctions, by issuing gift vouchers to staff following their hard work during the year during the various challenges presented by post Covid-19 effects and other external factors. The Fund also managed to continue building the capacity of its staff through various trainings and continuous professional development programmes despite the budgetary cuts advanced in the course of the year.

The Fund was also evaluated by the Public Service Commission on the extent to which it complied with the values and principles mentioned in Articles 10 and 232 of the Constitution of Kenya, 2010 and was given a High Achievers Rating of 83.98%. The Fund values and believes in building strong teams to achieve its objectives and improve staff morale, communication and working relationships. It facilitated four safe space successful staff meetings across the quarters which enhanced constructive interaction and bonding amongst the staff.

In the year under review, the Fund continued to deliver on its cross-cutting performance contractual commitments leading to the attainment of an overall performance contractual rating of "Very Good" with 100% ratings in HIV/AIDS and Road Safety Mainstreaming. The staff satisfaction index which measures staff perceptions on interactions with the Fund improved from 84% in the previous year to 86% in the year 2022/2023. The Fund was also evaluated by the Public Service Commission on the extent to which it complied with the values and principles mentioned in Articles 10 and 232 of the Constitution of Kenya, 2010 and was given a High Achievers Rating of 83.98%. The Fund also developed and approved five additional policies to guide in the management of cross-cutting issues which include Disability Mainstreaming Policy, HIV/AIDS Policy, Alcohol and Drug Abuse Prevention Policy, Gender Mainstreaming Policy and Sexual & Gender-Based Violence Policy.

In the pursuit to realize the Constitutional requirement and 5% threshold for engagement of Persons with Disability (PWDs), the Fund's score in the period under review stood at 2.13%. The Fund is alive and cognizant to align itself to the constitutional threshold by encouraging PWDs to apply for advertised positions within the Fund and also engaging youths who live with disability in internships and industrial attachments as well as ensuring the continued balancing of diversity provisions for disadvantaged groups as provided for in the Constitution. The Fund registered an overachievement in internships and industrial placements having engaged 19 interns and attachés against its performance contracting commitment of 13 interns and attachés.

The Fund also undertook a capacity building programme on Advanced Road Safety Training for its drivers to adequately equip them with the necessary advanced road safety skills with an expectation to positively impact the monitoring and execution of projects in the long run.

The Fund closed the year by celebrating individual and collective efforts from its staff by issuing gift vouchers to staff following their hard work during the year in the midst of the various challenges presented by post Covid-19 effects and other external factors.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

Market place practices

Responsible Marketing and Advertisement

Water Sector Trust Fund's core mandate is to provide conditional and unconditional grants to counties for the financing of Water Supply, Sanitation, and Water Resources Management for the Under-Served and Marginalized Communities in both Rural and Urban Areas across all 47 Counties. To effectively communicate our services and foster a transparent engagement with the public, we recognize the importance of adhering to ethical marketing practices through our communication department.

Below is a comprehensive overview of our approach to responsible advertisement and visibility of our services. Key Areas Ensuring Responsible Advertisement and Visibility:

1. **Brand Conformity:** WaterFund prioritizes alignment with both National Government and Organizational branding guidelines and Communication Policy. This approach ensures consistent brand equity and visibility for all our financing partners. Our strategic logo placement includes the Court of Arms, WaterFund, Donor partners, and Implementing partners logos, creating a unified and professional presentation across our communication channels.
2. **Advertisement Placement Compliance:** Our commitment to responsible advertisement is evident in our adherence to the National Government Circular that exclusively recommends placing all government advertisements in the MyGov newspaper pull-out. This coordination through the Government Advertisement Agency guarantees the appropriate and standardized dissemination of our messages.
3. **Transparency and Accountability:** WaterFund's ensures transparency and accountability which is reflected in its advertising practices. In all advertisements, prominently highlight details on how to report corruption, request information, and lodge complaints. This information is strategically linked to various redress mechanisms, providing the public with accessible avenues to engage with WaterFund. By doing so, we ensure that the community has a reliable means to report, complain, or provide feedback on WaterFund projects and implementation modalities.
4. **Public Engagement:** WaterFund's communication efforts extend beyond advertisement. The institution is committed to engaging with the public in a meaningful manner. Through the Communication and Corporate Affairs Unit, the public is informed about the services offered by WaterFund, the application process for Water Service Providers seeking funding, and how marginalized communities can benefit from our initiatives. By providing clear and comprehensive information, empower the public to make informed decisions and actively participate in our mission.

In conclusion, the Water Sector Trust Fund maintains a steadfast dedication to ethical marketing practices through our Communication and Corporate Affairs Unit. Our focus on brand conformity, compliance with governmental recommendations, transparency, and public engagement ensures that our communication efforts remain responsible, transparent, and accountable. We are confident that our approach will continue to effectively convey our services to the public while upholding the highest standards of integrity.

Corporate Social Responsibility

WaterFund's Support for Tatu Kenga's Education and Future Plans

Background

Tatu Kenga's remarkable story began in 2008, when she was discovered carrying water in difficult circumstances by then-Minister for Water and Irrigation, Hon. Charity Ngilu. WaterFund, in line with its Corporate Social Responsibility, embraced Tatu as a representation of its commitment to addressing water-related challenges, particularly affecting women, girls, and underserved regions in Kenya.

Education Journey

WaterFund invested in Tatu's education from 2010, securing her path from primary school through university. She attended Mwijo Primary School, Kilifi County, achieving 256 out of 500 marks in her KCPE in 2018. Overcoming family poverty, she joined Mazeras Secondary Memorial School and scored a D+ in her KCSE in 2022. WaterFund's continued involvement included regular visits, school fee coverage, provision of essentials, and monitoring her academic progress.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING (Continued)

Corporate Social Responsibility (Continued)

WaterFund's Support for Tatu Kenga's Education and Future Plans (Continued)

Future Plans

WaterFund's Corporate Communication team visited Tatu over the course of the year with a focus on her college registration. Acknowledging her achievements, she engages in church volunteering and farm work. The team aimed to facilitate her clearance from secondary school and rectify fee overpayment.

College Admission Exploration

Tatu expressed interest in nursing and, based on her career aspirations, WaterFund recommended Kenya Medical Training College (KMTC) for its nursing program. However, her grades didn't meet the specific subject requirements for the Nutrition and Dietetics course. KMTC maintains strict admission criteria.

Exploring Alternatives

Given Tatu's determination, WaterFund is researching alternative educational paths. They considered an ICDL course to provide digital skills, which are increasingly essential. However, the challenge lies in her remote location, necessitating daily travel by motorbike. To address this, Nesbony College in Mtwapa Town emerged as an alternative due to its comprehensive computer package and proximity. Tatu's brother, Mr. Juma, a carpenter near Nesbony College, expressed confidence in the institution's quality and safety. He pledged to monitor Tatu's progress closely.

In conclusion, WaterFund's commitment to Tatu's education journey continues. The organization navigates challenges to ensure Tatu's access to suitable educational opportunities, with her future as a skilled and empowered individual at the forefront.

10. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended 30 June 2023, which shows the state of Water Sector Trust Fund's affairs.

REGISTRATION

The Water Sector Trust Fund (WSTF) is a state corporation established under the Water Act, 2016, Section 113 (1) with a mandate to assist in financing the provision of water services to areas of Kenya which are without adequate water services. WSTF operates under the Ministry of Water and Irrigation and is guided by the Trust Deed of 26 April 2004.

PRINCIPAL ACTIVITIES

The WSTF is a basket fund through which the Government of Kenya, through appropriations by Parliament, development partners and other funds, channels financial assistance towards the implementation of water, sanitation and water resources projects throughout the country with special emphasis on the poor, marginalized communities and working with the County Governments in delivering these services.

RESULTS

The results of the entity for the year ended 30 June 2023 are as set out on page 50.

TRUSTEES

The members of the Board of Trustees who served during the year are as shown on page 4.

AUDITOR

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. Deloitte & Touche LLP Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year ended June 30, 2023 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

FOR AND ON BEHALF OF THE BOARD OF TRUSTEES



Dr Erick K. Rutto
Chairman, Board of Trustees
Water Sector Trust Fund (WaterFund)

2024

11. STATEMENT OF TRUSTEES' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012, Section 14 of the State Corporations Act, and the Water Act 2016, require the trustees to prepare financial statements in respect of Water Sector Trust Fund which give a true and fair view of the state of affairs of the WaterFund at the end of the financial year and the operating results of the Water Sector Trust Fund for the year. The trustees are also required to ensure that Water Sector Trust Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of WaterFund. The trustees are also responsible for safeguarding the assets of WaterFund.

The Trustees are responsible for the preparation and presentation of the WaterFund's financial statements which give a true and fair view of the state of affairs of the Water Sector Trust Fund for and as at the end of the financial year ended 30 June 2023. 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 Water Sector Trust Fund;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Water Sector Trust Fund'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, the State Corporations Act and the Water Act 2016. The Trustees are of the opinion that the WaterFund's financial statements give a true and fair view of the state of WaterFund's transactions during the financial year ended June 30, 2023, and of the WaterFund's financial position as at that date.

The Trustees further confirm the completeness of the accounting records maintained for WaterFund, which have been relied upon in the preparation of WaterFund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that WaterFund 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 WaterFund's financial statements were approved by the Board on 31st January 2024 and signed on its behalf by:



Dr Erick K. Rutto
Chairman, Board of Trustees
Water Sector Trust Fund (WaterFund)



Mr. Willis Ombai
Chief Executive Officer

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON WATER SECTOR TRUST FUND FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Water Sector Trust Fund set out on pages 50 to 89, which comprise of the statement of financial position as at 30 June, 2023,

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, have been audited on my behalf by Deloitte and Touché LLP, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Water Sector Trust Fund as at 30 June, 2023, 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 complies with Public Finance Management Act, 2012 and The Water Act, 2016.

Basis for Opinion

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.2,584,000,000 and Kshs.1,761,117,516 respectively resulting to an underfunding of Kshs.822,882,484 or 32% of the budget. Similarly, the Fund spent Kshs.1,901,559,692 against an approved budget of Kshs.2,584,000,000, resulting to an under-expenditure of Kshs.682,440,308 or 26% of the budget.

The underfunding and under-performance affected the planned activities of the Fund and may have impacted negatively on service delivery to the public

Key Audit Matters

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

Other Matter

Unresolved Prior Years Matters

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has

not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board and The National Treasury Circular.

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 Conclusion on 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

1. Failure to Remit Withholding Tax on Interest Income

The statement of financial position reflects trade and other payables balance of Kshs.171,542,037 as disclosed under Note 22 to the financial statements which includes withholding tax payables totalling to Kshs.193,523 relating to withholding taxes on interest income earned from project accounts that was not remitted to KRA. Failure to remit withholding taxes on interest income deducted by the payee at 15% and remit to KRA by 20th of the following months contravenes the Income Tax Act and could result in penalties and interest being levied by KRA.

In the circumstances, Management was in breach of the law.

2. Abandoned Project

As previously reported, the Fund entered into a financing support and implementation agreement with Athi Water Works Development Agency (AWWDA) for Gatundu priority project on 28 April, 2020. The Agency contracted a drilling company for Lot 3 and 4 of works relating to ground water exploitation project, drilling and equipping of Gatundu boreholes for Kshs.54,632,385 and Kshs.61,238,383 respectively. The drilling company was paid an initial sum of Kshs.7,388,808. However, the company did not complete the works. Following abandonment of the construction works in March, 2021 without prior consultation or approval by the Project Manager, the Agency held meetings with the contractor for resumption of works without success and subsequently, the Agency issued a notification to terminate the contract on 30 November, 2021. However, no evidence was provided to confirm whether the project has been completed.

In the circumstances, the abandoned project affected the planned objectives of the Fund and may have impacted negatively on service delivery to the public. Further, value for money paid has not been realised.

3. Anomalies in Projects Implementation

The statement of financial performance Includes project expenses of Kshs.1,385,104,642 as disclosed under Note 12 to the financial statements out of which Kshs.20,021,454 relates to costs arising from project expenditure incurred by implementing partners

comprising of CLSG Kshs.16,635,514, EU CPIRA Kshs.1,188,511 and KFW/BMGF Kshs.2,197,429. The costs had anomalies in the procurement procedures such as the identification of contractors, payment of VAT from donor funds and non-compliance with development partners' guidelines among other factors.

In the circumstances, the regularity and value for money on the project expenses of Kshs.20,021,454 could not be confirmed.

4. Irregular Project Expenditure

The statement of receipts and payments reflects project expenses of Kshs.1,385,104,642 as disclosed in Note 12 to the financial statements. Included in this amount is Kshs.389,799,858 expensed under Conditional Liquidity Support Grant funded by World Bank out of which Kshs.30,400,000 was incurred by Kakamega Water and Sanitation Company (KACWASCO) for the supply, installation, configuration, customization, migration, testing, training, commissioning, and maintenance of an Enterprise Resource Planning System.

Further, KACWASCO also incurred costs amounting to Kshs.12,954,400 charged under the fixed grant for construction of two (2) storm water drainage and rehabilitation of filter at Tindiyo water treatment plant. These costs were incurred before the approval for the fixed grant through an addendum approved on 12 January, 2022 by the Fund and before signing of the conditional liquidity support grant project (CLSG) grant agreement on 15 December, 2021. Costs under the fixed grant are to be incurred after signing of the grant agreement. In addition, there was no evidence that Water Services Regulatory Board (WASREB) approved the amendment of the grant agreement and the re-allocation of the funds from variable to fixed grants.

In the circumstances, the regularity of these expenditures could not be confirmed.

5. Ineligible Project Expenditure

The statement of financial performance reflects project expenses amount of Kshs.1,385,104,642 as disclosed in Note 12 to the financial statements. Included in the amount is expenditure amounting to Kshs.14,185,538 incurred under the CLSG grant for the supply, installation, configuration, customization, migration, testing, training, commissioning, and maintenance of an Enterprise Resource Planning System. This was based on an addendum approved by WSTF on 10 March, 2021. The ERP system was to be used to manage the water service providers (WSPs) operational systems including procurement, inventory management, billing, and human resource management.

However, there was no evidence that WASREB approved the amendment of the grant agreement and the re-allocation of the funds from variable to fixed grants.

In the circumstances, the regularity of expenditure amounting to Kshs.14,185,538 could not be confirmed.

6. Non-Compliance with Laws and Regulations

The statement of financial performance reflects project expenses amount of Kshs.1,385,104,642 as disclosed in Note 12 to the financial statements. During the year

under review, Kapenguria Water and Sewerage Services Company Limited engaged the services of several contractors to implement the following interventions in Kapenguria and Makutano at a cost of Kshs.42,836,800 or USD 399,910. However, the amounts were above the USD 100,000 threshold as provided for in the CSLG operations manual as detailed below:

Intervention	Amount (Kshs.)	Amount USD
Supply and Installation of eight (8) Centrifugal and one (1) Submersible Pumps at the Kapenguria and Makutano.	20,315,000	189,654
14500m Pipeline extension and repairs Makutano and Kapenguria Water Supplies	22,521,800	210,256

Further, there was no evidence that Kapenguria Water and Sanitation Company had registered and obtained a WASREB license as at 30 June, 2023.

In addition, there were budgets reallocations approved by the Fund on 30 November, 2021 between interventions within the fixed grant amounting to Kshs.4,800,000 as detailed below:

Intervention	Original Budget Amount (Kshs.)	Original Budget Amount (USD)	Reallocated Amount (Kshs.)	Reallocated Amount (USD)
Construction of 2 No. Water kiosks at Makutano	800,000	7,169	-	-
Comprehensive Water Billing software at Kapenguria Water Supply offices	4,000,000	35,847	-	-
Sunflower – Mathare Pipeline	-	-	1,775,700	15,913
Karas Water Supply	-	-	2,643,086	23,686
Ortum Water Supply	-	-	381,214	3,417
Total	4,800,000	43,016	4,800,000	43,016

However, there was no evidence that WASREB approved the amendment of the grant agreement and the reallocation of the funds from variable to fixed grants. This is contrary to Section 85(2) of the Water Act of 2016, which states that a WASREB license is a mandatory prerequisite to enable one to provide water services.

In the circumstances, Management was in breach of the law.

7. Lack of Evidence of Competitive Procurement

The statement of financial performance reflects project expenses amount of Kshs.1,385,104,642 as disclosed in Note 12 to the financial statements. Review of procurement documents revealed that Coast Water Development Works Agency (CWWDA) floated a tender for purchase and delivery of various fittings and servicing of

transformers at Baricho Water Treatment Plant for Kshs.15,575,000 and Kshs.25,800,000 all totaling to Kshs.36,675,000. However, no evidence of competitive procurement was provided for audit. The lack of competitive procurement is contrary to the preconditions for funds use; Section C of the CLSG grant agreement signed between the Water Service Provider and WSTF and the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of a Cost Allocation Policy for Overhead Costs

The statement of financial performance reflects project expenses of Kshs.1,385,104,642 as disclosed in Note 12 to the financial statements. Included in this amount is Kshs.2,131,416 charged as fuel and rent costs to project expense. For fuel, the payment was made to replenish a fuel card but there was no evidence that the expenditure was directly related to the project against which it was charged. For the rent expense, the Fund charged this to the EU project to the extent of the budget and there was no clear and consistent basis as to why the Fund allocated this amount to the various projects. This is against the financing agreement, which states that, the overhead costs should be apportioned to the running projects in a verifiable and consistent manner to ensure accurate reporting to donors.

In the circumstances, Management was in breach of the law.

2. Lack of Documented Project Close Out Procedures

The financing agreement between the Fund and International Fund for Agriculture Development (IFAD) for the implementation of Upper Tana Natural Resources Management Project (UTaNRMP) ended on 30 June, 2023. There was no evidence

provided that the Fund has documented guidelines on close out procedures to be followed when closing a grant. There were instances where disbursements were made to partners in the last quarter of 2023. There were also instances where WRUA's received funds in November, 2022 while their agreements with the Fund were ending on 31 December 2022. As a result, there was inadequate time for project implementation, monitoring and identification of any construction defects. The late disbursement of funds resulted in WRUA's failing to observe the financing contract conditions such as seeking a no objection prior to use of funds and ineligible expenditure arising from poor workmanship as follows: -

- i. Middle Kathita Water Resource Users Association (WRUA) funds of Kshs.3,438,250 were disbursed on 23 March, 2023 and the agreement end date was 19 May, 2023 thus, the WRUA did not obtain an no objection on procurement from the Fund prior to engaging the contractor.
- ii. Lower Thingithu WRUA funds amounting to Kshs.1,536,000 were disbursed on 01 November, 2022 while the agreement end date was 30 June, 2023 ,The WRUA incurred Kshs.2,063,790 for the construction of a sand dam along Ndi River. Field inspection conducted on 18 October, 2023 revealed that, the sand dam was no longer operational, as the water seeped through the bottom due to poor workmanship. The defects were not identified in good time due to the project timelines with the grant ending on 30 June, 2023. As a result, the project did not serve the purpose of holding back water for the community's use during the dry season.

In the circumstances, the objective for the funds and value for money may not have been achieved.

3. Information, Communication and Technology (ICT) Governance

3.1 ICT Policy Deficiencies

As previously reported, review of the IT Policy in place revealed that the Fund does not have clearly defined controls, processes and procedures with regards to network administration, backup management and user creation in the application systems. Inadequate user access creation guidelines may result to inconsistent processes of user access creation across the various systems within the organization. Lack of policy guidelines on network administration and backup management may lead to inadequate backup and network procedures being implemented in the IT systems.

In the circumstances, the adequacy of ICT backup and controls in the network procedures implemented in the IT systems, could not be confirmed.

3.2 Password Deficiencies in the Aren Register Application

As previously reported, the Aren Register application does not have a password configuration in place that would allow the administrators of the system to implement password policy as per industry standards or the organization's IT policy. Failure to

implement a password policy may allow attackers to gain unauthorized access to the system therefore exposing the Fund to possible loss or manipulation of its data.

In the circumstances, the controls in place to prevent unauthorized access to the system could not be confirmed.

4. Long Outstanding Receivables

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.364,003,433 as disclosed under Note 16 to the financial statements which includes Kshs.172,054,967 that has been long outstanding with no movement during the year under review. Though these advances were assessed as doubtful and provided for in the financial statements, adequate control measures and safeguards to the signed agreements to repay the debts were not provided for audit.

In the circumstances, adequate control measures and recoverability of the receivables from non-exchange transactions balance of Kshs.172,054,967 could not be confirmed.

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

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 Financial Reporting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable matters related to the sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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 Fund'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 overall 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 overall 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 controls 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 controls may not prevent or detect misstatements and instances of non-compliance. 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 controls.

- 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 Fund'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 Fund 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 Fund 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 controls 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 March, 2024

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 KShs	2022 KShs
REVENUE			
Revenue from non-exchange transactions			
Government of Kenya grants	6	369,500,000	399,000,000
Restricted donor funds	7	1,380,271,085	4,768,240,933
		1,749,771,085	5,167,240,933
Revenue from exchange transactions			
Miscellaneous income	8	11,321,057	20,865,404
Finance income - external investments	9	25,374	5,508,202
		11,346,431	26,373,606
Total revenue		1,761,117,516	5,193,614,539
EXPENDITURE			
Staff costs	10	(266,930,606)	(256,588,307)
Remuneration of trustees	11 (a)	(28,460,264)	(26,475,044)
Repairs and maintenance	11 (b)	(363,031)	(809,139)
Depreciation and amortization expense	11 (c)	(15,442,939)	(10,941,523)
General expenses	11 (d)	(205,258,210)	(200,468,471)
Project expenses	12	(1,385,104,642)	(4,887,013,318)
Total expenditure		1,901,559,692	(5,382,295,802)
Deficit for the year		(140,442,176)	(188,681,263)

The notes set out on pages 55 to 78 form an integral part of these financial statements.

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2023 KShs	2022 KShs
ASSETS			
Current assets			
Cash and cash equivalents	17	947,766,237	1,065,019,562
Receivables from non-exchange transactions	16	364,003,433	596,033,165
Inventories	15	530,257	1,010,191
		<u>1,312,299,927</u>	<u>1,662,062,918</u>
Non - current assets			
Property and equipment	13	32,562,220	44,226,966
Intangible assets	14	12,126,467	6,681,600
		<u>44,688,687</u>	<u>50,908,566</u>
TOTAL ASSETS		<u>1,356,988,614</u>	<u>1,712,971,484</u>
LIABILITIES			
Current liabilities			
Deferred income from capital grants	20	1,227,093	679,429
Trade and other payables	22	171,542,037	150,356,547
		<u>172,769,130</u>	<u>151,035,976</u>
Non-current liabilities			
Deferred income from capital grants	20	679,182	7,287,486
Staff gratuity	21	31,153,498	16,476,734
		<u>31,832,680</u>	<u>23,764,220</u>
Net assets			
Accumulated (deficit)/surplus	18	(57,941,545)	82,500,631
Unexpended grants	19	1,210,328,349	1,455,670,657
TOTAL NET ASSETS AND LIABILITIES		<u>1,356,988,614</u>	<u>1,712,971,484</u>

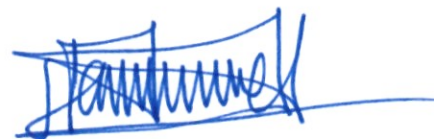
The notes set out on pages 55 to 78 were signed on behalf of the Board of Trustees on 31st January 2024 by;



Dr Erick K. Rutto
Chairman, Board of Trustees



Mr. Willis Ombai
Chief Executive Officer



Mr. Samwel Gitau Mbugua
General Manager,
Corporate Services
ICPAK Member No. 2868

Date: 31st January 2024 Date: 31st January 2024 Date: 31st January 2024

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023

	Revenue reserves KShs	Unexpended grants KShs	Total KShs
Year ended 30 June 2022			
Balance at 1 July 2021	271,181,894	1,820,262,169	2,091,444,063
Deficit for the year	(188,681,263)	-	(188,681,263)
Funds received from development partners	-	4,373,516,904	4,373,516,901
GoK counterpart funding	-	86,360,000	86,360,000
Refunds	-	649,000	649,000
Donor interest income	-	30,132,518	30,132,518
Total project expenditure	-	(4,855,249,934)	(4,855,249,934)
As at 30 June 2022	<u>82,500,631</u>	<u>1,455,670,657</u>	<u>1,538,171,288</u>
Year ended 30 June 2023			
Balance at 1 July 2022	82,500,631	1,455,670,657	1,538,171,288
Deficit for the year	(140,442,176)	-	(140,442,176)
Funds received from development partners	-	1,104,628,134	1,104,628,134
GoK counterpart funding	-	-	-
Transfer to donor account	-	1,291,764	1,291,764
Donor refunds	-	(47,516)	(47,516)
Donor interest income	-	29,056,395	29,056,395
Total project expenditure	-	(1,380,271,085)	(1,380,271,085)
As at 30 June 2023	<u>(57,941,545)</u>	<u>1,210,328,349</u>	<u>1,152,386,804</u>

The notes set out on pages 55 to 78 form an integral part of these financial statements

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 KShs	2022 KShs
Cash flows from operating activities			
Receipts			
Government grants	6	369,500,000	399,000,000
Restricted revenue from development partners		1,066,433,972	4,373,516,904
Miscellaneous income		5,260,417	18,724,547
Finance income	9	25,374	5,508,202
Donor interest income	19	29,056,395	30,132,518
Total Receipts		1,470,276,158	4,826,882,171
Payments			
Employee costs		(249,991,133)	(243,470,452)
Remuneration of directors	11 (a)	(28,460,264)	(26,475,044)
Repairs and maintenance	11 (b)	(363,031)	(809,139)
General expenses		(83,737,126)	(184,662,277)
Disbursements to implementing partners		(880,966,613)	(4,034,215,331)
Refunds by implementing partners		5,804,060	21,038,541
Refunds to donors		(47,516)	-
Gratuity paid	21	(2,262,709)	(60,143,216)
Project expenses paid directly by WSTF		(338,675,521)	(267,398,639)
Total Payments		(1,578,699,853)	(4,796,135,557)
Net cash flows used in operating activities	23	(108,423,695)	(30,746,614)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	13 & 14	(9,223,060)	(42,290,980)
Proceeds from sale of property, plant, equipment	8	393,430	716,595
Net cash flows used in investing activities		(8,829,630)	(41,574,385)
Net decrease in cash and cash equivalents		(117,253,325)	(10,827,771)
Cash and cash equivalents as at 1 July		1,065,019,562	1,075,847,333
Cash and cash equivalents as at 30 June		947,766,237	1,065,019,562

The financial statements on pages 50 to 78 were signed on behalf of the Board of Trustees on
31st January, 2024 by;



Dr Erick K. Rutto
Chairman, Board of Trustees



Mr. Willis Ombai
Chief Executive Officer



Mr. Samwel Gitau Mbugua
General Manager,
Corporate Services
ICPAK Member No. 2868

Date: 31st January 2024 Date: 31st January 2024 Date: 31st January 2024

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original budget 2023 KShs	Adjustments 2023 KShs	Final Budget 2023 KShs	Actual 2023 KShs	Performance difference 2023 KShs	% of Utilization	Notes
REVENUE FROM NON-EXCHANGE TRANSACTIONS							
Government of Kenya grants	519,000,000	(149,500,000)	369,500,000	369,500,000	-	100%	
Donor funds	2,450,000,000	(237,500,000)	2,212,500,000	1,380,271,085	(832,228,915)	62%	(a)
REVENUE FROM EXCHANGE TRANSACTIONS							
Miscellaneous income	-	-	-	11,321,057	11,321,057		
Finance income – external investments	2,000,000	-	2,000,000	25,374	(1,974,626)	3%	
Total Revenue	2,971,000,000	(387,000,000)	2,584,000,000	1,761,117,516	(822,882,484)	68%	
EXPENSES							
Administration expenses	(458,099,500)	3,971,500	(462,071,000)	(516,455,050)	(54,384,050)	112%	(b)
Project expenses	(2,512,900,500)	(390,971,500)	(2,121,929,000)	(1,385,104,642)	736,824,358	65%	(c)
Total expenses	(2,971,000,000)	(387,000,000)	(2,584,000,000)	(1,901,559,692)	682,440,308	74%	
Deficit for the period	-	-	-	(140,442,176)	(140,442,176)		(d)

- a) WSTF had budgeted to finance projects to the tune of KShs. 2,584,000,000 using funds from development partners and the government (development budget). This target was however not met because not all of the funds anticipated from development partners were received during the year. The actual amounts received from development partners in the year was KShs. 1,066,433,972 and Kshs 38,194,163, which was paid directly to a consultant by KFW. Project funds held at Central Bank of Kenya amounted to KShs. 197,148,523 and have been recognized as cash-in-transit. WSTF's policy is to recognize funds from development partners as income when utilized for project expenditure hence funds disbursed at the end of the year were not recognized as expenditure for the year because the projects had not accounted for the use of these funds. They were recognized as receivables. Total project expenditure for the year amounted to KShs. 1,385,104,642; of this KShs. 4,833,557 was financed directly by the Government of Kenya (GoK) and KShs. 1,380,271,085 by the development partners.
- b) The overspend is as a result of increase in the provision for bad debts amount. As the amount is not budgeted for, this resulted to expenditure exceeding the total budget for the period.
- c) The variance between budget and actual project expenses is as a result of less funds realised in the year for project implementation also captured in a) above.
- d) The deficit for the period is attributable to the excess of the expenditure over the income of the recurrent funding from Government of Kenya. The part of the expenditure reported is attributable under budgeted administration costs.
- e) There were changes between the initial and final budget as a result of the supplementary budget process.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Water Sector Trust Fund (WSTF) is a body corporate established under the Water Act, 2016, Section 113 (1) and the object of the Fund as provided by Section 114 of the Act is to *provide conditional and unconditional grants to counties, in addition to equalisation fund and to assist in financing the development and management of water services in marginalised areas or any area which is considered by the Board of Trustees to be underserved including:-*

- a) community level initiatives for the sustainable management of water resources;
- b) development of water services in rural areas considered not to be commercially viable for provision of water services by licensees;
- c) development of water services in the under-served poor urban areas; and
- d) research activities in the area of water resources management and water services, sewerage and sanitation.

As one of the institutions under the Ministry of Water and Sanitation, WSTF is guided by the Trust Deed of 26 April 2004 executed by the Cabinet Secretary. The Trust Deed is currently under review to align it with the Water Act 2016.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance

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, marketable securities and financial instruments 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 WaterFund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of WaterFund.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Water Act 2016, 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. New and amended standards and interpretations in issue effective in the year ended 30 June 2023

IPSAS 41, Financial Instruments- Applicable: 1st January 2023. The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

i New and amended standards and interpretations in issue effective in the year ended 30 June 2023 (Continued)

- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

The amendments did not have an effect on WSTF's financial statements.

IPSAS 42: Social Benefits, Applicable: 1st January 2023

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:

- (a) The nature of such social benefits provided by the entity;
- (b) The key features of the operation of those social benefit schemes; and
- (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

The amendments did not have an effect on WaterFund's financial statements.

Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments. Applicable: 1st January 2023

- a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.
- b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.
- c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

The amendments did not have an effect on WaterFund's financial statements.

Other improvements to IPSAS: Applicable 1st January 2023

- a) IPSAS 22 Disclosure of Financial Information about the General Government Sector.
Amendments to refer to the latest System of National Accounts (SNA 2008).
- b) IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS.
- c) IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

The amendments did not have an effect on WaterFund's financial statements.

IPSAS 43: Leases: Applicable 1st January 2025

The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS (continued)

ii New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023 (Continued)

IPSAS 43: Leases: Applicable 1st January 2025 (Continued)

The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.

The amendments did not have effect on WaterFund's financial statements.

IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations: Applicable 1st January 2025

The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.

The amendments did not have an effect on WaterFund's financial statements.

iii Early adoption of standards

WaterFund did not early – adopt any new or amended standards in year 2022/2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

(i) Functional and presentation currency

These financial statements are presented in Kenya Shillings (KShs) which is also the functional currency.

(ii) Transactions and balances

Assets and liabilities denominated in foreign currencies are translated into Kenya shillings at the rates of exchange ruling at the end of reporting period. Transactions during the year are translated at the rates ruling on the transaction dates. Gains or losses on translation are dealt with in the surplus or deficit.

Revenue recognition

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

- (i) Government grants are recognized as income when there is reasonable assurance that the grants will be received, and the entity is in compliance with the conditions attached to the grants.
- (ii) Grants from donors are recognized as income when there is reasonable assurance that the grants will be received. The grants are recognized as income on a systematic and rational basis over the period necessary to match them with the related costs.
- (iii) Grants related to depreciable assets are recognized as income over the periods and in the proportions in which depreciation on those assets is charged.
- (iv) Other income comprises of funds other than the grants from the development partners and the Government of Kenya. Other income is recognized when there is reasonable assurance that it will be received.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Funds received for specific purposes (conditional grants) are treated as unexpended grants and credited to the surplus or deficit when the activities for which they were provided for have been undertaken. Specific grant pledges that have not been received but for which expenditure has been incurred, as well as the excess of expenditure over receipts for specific grants are recognized as revenue and included in the financial statements as grants receivable from donors.

Expenditure

Expenditure comprises expenses incurred directly for programme and administrative activities. These are recognized on the accrual basis.

Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i. Raw materials: purchase cost using the weighted average cost method.
- ii. Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Property and equipment donated to the fund or purchased using specified donor funds are recognized as deferred income from capital grants. Donated assets are recorded at a reasonable estimate of their fair value to the fund at the date of receipt as determined by the trustees.

Depreciation

Depreciation is calculated on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life at the following rates:

	% per Annum
Furniture	20
Motor vehicles	25
Computer equipment	30
Equipment	25
Fittings and fixtures	20

Gains and losses on disposal of items of equipment are determined by comparing the proceeds to their carrying amounts and are included in the statement of financial performance.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

All costs attributable to the purchase of computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over the estimated useful lives not exceeding a period of 5 years. It is charged to the surplus or deficit under the expenditure line, amortization of intangible assets.

Impairment of tangible and intangible assets

At end of each reporting period, WaterFund reviews the carrying amounts of its financial assets, tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

Deferred income

Grants received for the purchase of fixed assets or donated assets are recognized as deferred income and transferred to the surplus or deficit over the expected useful lives of the respective assets. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue in relation to any other income received out of the ordinary course of business.

Budget information

The original budget for FY 2022-2023 was approved by the National Assembly on 30 June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The reduction in appropriations are deducted from the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded reduction in appropriations by Ksh 387 million on the 2022-2023 budget following the governing body's approval.

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 under section 17 of these financial statements.

Taxation

Water Sector Trust Fund is exempt from income tax under the First Schedule, paragraph 10 of the Income Tax Act. As a result, no provision for taxation has been made in these financial statements.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Provisions

Provisions are recognized when WaterFund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where WaterFund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

WaterFund 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

WaterFund 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 WaterFund 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.

Employee benefits

The Entity provides retirement benefits for its employees and directors. 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.

i. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (continued)

ii. Other post-employment benefits

Employees on three-year employment contracts are entitled to service gratuity at 31% of their annual salary. Service gratuity and outstanding leave days are recognized when they accrue to employees. A provision is made for the estimated liability for services rendered by employees up to end of the reporting period. The estimated monetary liability for employees' accrued leave and service gratuity entitlements at the end of reporting period is recognized as an expense accrual. Service gratuity is paid at the end of the employment contract.

Provisions are also made in respect of outstanding leave days accruing to staff at the end of the year.

Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the entity, or vice versa. Members of key management are regarded as related parties and comprise of the General Managers and the CEO.

Financial instruments

a) Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit based on both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

a) Classification of financial assets (Continued)

Fair value through net assets

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For all the entity's financial assets, the entity applies a simplified approach in calculating ECLs. Therefore, the entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The entity considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the entity.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative figures

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

Subsequent events

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

5 SIGNIFICANT JUDGEMENTS 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.

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 consolidated 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.

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

6 GOVERNMENT OF KENYA GRANTS

The Fund as currently set up, receives grants from the Government of Kenya for two purposes:

- (i) Financing to various water and sanitation projects.
- (ii) Operational (recurrent) needs.

During the year, the split for the two functions was as follows:

	2023 KShs	2022 KShs
Development	172,500,000	232,000,000
Recurrent	197,000,000	167,000,000
	<u>369,500,000</u>	<u>399,000,000</u>

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 RESTRICTED DONOR FUNDS

WaterFund received restricted donations from several development partners. The grants are recognized as income on a systematic and rational basis over the period necessary to match them with the related project costs. Details of the donor funds are tabulated below:

	2023 KShs	2022 KShs
European Union	298,535,979	277,688,940
Government of Germany – KfW/BMGF	52,338,320	54,097,619
Government of Germany – KfW Phase IV	344,981,212	16,736,121
Government of Denmark – WLP and GGEP	3,883,106	205,361,608
Government of Denmark – Covid 19	2,018,841	118,171,846
International Fund for Agricultural Development - IFAD	182,144,967	40,710,194
World Bank	389,799,858	4,025,467,858
Government of Denmark - SWASAP	104,292,347	20,201,165
Sweden/Finland – J6P	2,276,455	9,805,582
Total (Note 19)	<u>1,380,271,085</u>	<u>4,768,240,933</u>

8 MISCELLANEOUS INCOME

	2023 KShs	2022 KShs
Management fee earned on disbursement to some projects*	4,647,952	17,805,976
Deferred income recognized (note 20)	6,060,640	2,140,857
Other income **	219,035	201,976
Net gain on disposals of assets	393,430	716,595
	<u>11,321,057</u>	<u>20,865,404</u>

*Management fee represents the administration cost recovered as a percentage of funds disbursed to projects as per the respective donor agreements currently at 5% of funds disbursed for Danida. Management fee earned from the development partners is as tabulated below:

** Other income relates to fees charged to insurance policy providers for administration of insurance policies held by the staff in which WaterFund deducts and remits the premium to the insurance companies.

	2023 KShs	2022 KShs
European Union (EU)	-	11,474,388
Danida – SWASAP	4,647,952	-
Danida - COVID 19	-	3,329,313
Danida - WLP	-	3,002,275
	<u>4,647,952</u>	<u>17,805,976</u>

9 FINANCE INCOME

Finance income

Bank interest	<u>25,374</u>	<u>5,508,202</u>
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This relates to interest earned on interest bearing current account balances.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 STAFF COSTS

	2023 KShs	2022 KShs
Salaries and wages	234,993,351	190,603,071
Staff gratuity	16,939,473	13,117,855
Staff training expenses	9,357,865	33,374,059
NSSF contribution	701,040	238,800
Other staff expenses	4,938,877	19,254,522
	<u>266,930,606</u>	<u>256,588,307</u>

11. ADMINISTRATION EXPENSES

	2023 KShs	2022 KShs
(a) Remuneration of Trustees		
Chairman's Honoraria	983,306	577,143
Trustee emoluments	23,074,569	22,922,915
Other allowances	4,402,389	2,974,986
Total	<u>28,460,264</u>	<u>26,475,044</u>
(b) Repairs and maintenance		
Furniture and fittings	363,031	809,139
Total	<u>363,031</u>	<u>809,139</u>
(c) Depreciation and amortization expense		
Property, plant and equipment	15,237,406	10,666,041
Intangible assets	205,533	275,482
Total	<u>15,442,939</u>	<u>10,941,523</u>
(d) General expenses		
Communications expenses	4,549,867	4,584,922
Printing and stationery	940,923	1,912,072
Resource centre expenses	30,240	67,876
Traveling and accommodation	11,099,036	36,934,579
Motor vehicle expenses	7,115,627	13,487,344
Computer expenses	3,973,456	5,519,366
Consultancy and professional fees	10,055,601	34,832,391
Audit fees	9,152,393	6,689,683
Resource Mobilization expenses	719,851	1,175,040
Planning	3,321,083	5,505,324
Advocacy	2,920,597	22,939,314
Office running expenses	4,497,704	3,785,716
Insurance	25,752,878	23,293,944
Office rent & land rates	4,966,970	15,312,232
Bank charges	444,960	8,622,482
Movement in provision for bad and doubtful debts (note 16)	115,717,024	15,806,186
Total	<u>205,258,210</u>	<u>200,468,471</u>

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. PROJECT EXPENSES

These are funds utilized in various water and sanitation and water resources projects in various counties. The funds are disbursed to Water Utilities (WUs), Community Based Organisations (CBOs), Community Forest Associations (CFAs), Water Service Providers (WSPs), Water Resources Authority (WRAs) and Water Resources Users Associations (WRUAs) in line with proposals received and approved in accordance with documented processes of funding the rural and urban investments projects.

	2023 KShs	2022 KShs
Rural Programme		
Water and Sanitation	365,534,248	452,472,274
Water Resources	225,598,606	117,100,216
	<u>591,132,854</u>	<u>569,572,490</u>
Note 19 (b)	591,132,854	569,572,490
Total – Rural Programme	591,132,854	569,572,490
Urban Programme		
Water and Sanitation	357,329,735	158,503,549
Up-scaling Basic Sanitation for the Urban Poor (UBSUP)- Bill & Melinda Gates Foundation (BMGF)	39,989,797	30,502,037
Water and Livelihood	2,018,841	70,555,000
Conditional Liquidity Support Grant (World Bank)	389,799,858	4,026,116,858
	<u>789,138,231</u>	<u>4,285,677,444</u>
Note 19(a)	789,138,231	4,285,677,444
Water and Sanitation – Direct funding from GOK	4,833,557	31,763,384
	<u>793,971,788</u>	<u>4,887,013,318</u>
Total – Urban Programme	793,971,788	4,887,013,318
Total project expenses*	1,385,104,642	4,887,013,318

Included in the amount of Kshs 1,385,104,642 above is an amount of Kshs 20,021,454 (2022 - Kshs 46,621,785) that relates to questioned costs arising from the audits of project implementing organizations. These costs are being dealt with legally and administratively.

Project expenditure is funded by development partners and the Government of Kenya funds.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. PROPERTY AND EQUIPMENT

	Furniture KShs	Motor Vehicle KShs	Computer Equipment KShs	Office Equipment KShs	Fixtures and Fittings KShs	Total KShs
COST						
At 1 July 2021	8,501,247	49,578,799	26,698,255	7,977,412	21,494,185	114,249,898
Additions	351,000	35,113,083	-	-	1,815,697	37,279,780
Disposal	(24,995)	(5,000,000)	-	(26,995)	-	(5,051,990)
At 30 June 2022	8,827,252	79,691,882	26,698,255	7,950,417	23,309,882	146,477,688
At 1 July 2022	8,827,252	79,691,882	26,698,255	7,950,417	23,309,882	146,477,688
Additions	-	-	3,572,660	-	-	3,572,660
Disposal	(232,793)	-	(4,763,592)	(88,000)	-	(5,084,385)
At 30 June 2023	8,594,459	79,691,882	25,507,323	7,862,417	23,309,882	144,965,963
DEPRECIATION						
At 1 July 2021	6,777,808	47,659,209	20,113,237	6,667,914	15,418,503	96,636,671
Charge for the year	534,019	4,557,132	3,587,097	507,626	1,480,167	10,666,041
Disposal	(24,995)	(5,000,000)	-	(26,995)	-	(5,051,990)
At 30 June 2022	7,286,832	47,216,341	23,700,334	7,148,545	16,898,670	102,250,722
At 1 July 2022	7,286,832	47,216,341	23,700,334	7,148,545	16,898,670	102,250,722
Charge for the year	542,297	9,342,852	3,277,763	475,618	1,598,876	15,237,406
Disposal	(232,793)	-	(4,763,592)	(88,000)	-	(5,084,385)
At 30 June 2023	7,596,336	56,559,193	22,214,505	7,536,163	18,497,546	112,403,743
NET BOOK VALUE						
At 30 June 2022	1,540,420	32,475,541	2,997,921	801,872	6,411,212	44,226,966
At 30 June 2023	998,123	23,132,689	3,292,818	326,254	4,812,336	32,562,220

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. INTANGIBLE ASSETS

	SAP KShs	UPCIS KShs	Q-PULSE KShs	PMIS Software KShs	SIP Software KShs	WIP - SIP KShs	Total KShs
COST							
At 1 July 2021-Not fully amortized	414,364	-	-	8,264,426	-	-	8,678,791
At 1 July 2021-Fully amortized	3,335,028	12,729,739	588,312	-	-	-	16,653,079
Additions	-	-	-	-	-	6,681,600	6,681,600
At 30 June 2022	3,749,392	12,729,739	588,312	8,264,426	-	6,681,600	32,013,470
At 1 July 2022-Not fully amortized	414,364	-	-	8,264,426	-	6,681,600	15,360,390
At 1 July 2022-Fully amortized	3,335,028	12,729,739	588,312	-	-	-	16,653,079
Additions	-	-	-	-	-	5,650,400	5,650,400
Transfers from work in progress	-	-	-	-	12,332,000	(12,332,000)	-
At 30 June 2023	3,749,392	12,729,739	588,312	8,264,426	12,332,000	-	37,663,869
AMORTIZATION							
At 1 July 2021	3,749,392	12,729,739	588,312	7,988,945	-	-	25,056,388
Charge for the year	-	-	-	275,481	-	-	275,481
At 30 June 2022	3,749,392	12,729,739	588,312	8,264,426	-	-	25,331,869
At 1 July 2022	3,749,392	12,729,739	588,312	8,264,426	-	-	25,331,869
Charge for the year	-	-	-	-	205,533	-	205,533
At 30 June 2023	3,749,392	12,729,739	588,312	8,264,426	205,533	-	25,537,402
CARRYING VALUE							
At 30 June 2022	-	-	-	-	-	6,681,600	6,681,600
At 30 June 2023	-	-	-	-	12,126,467	-	12,126,467

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. INVENTORIES

	2023 KShs	2022 KShs
Office stationery	<u>530,257</u>	<u>1,010,191</u>

WaterFund purchased various stationery items. As at the end of the reporting period, the balance of stock at hand is recognised as inventories.

16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2023 KShs	2022 KShs
Project receivables – Urban Investments	229,019,827	452,463,091
- Rural Investments	283,830,261	174,823,998
- GoK priority projects	4,617,256	7,228,053
Prepayments	13,579,366	12,776,902
Staff receivables	5,035,302	5,102,676
Provision for bad debts	<u>(172,078,579)</u>	<u>(56,361,555)</u>
	<u>364,003,433</u>	<u>596,033,165</u>

- Urban project receivables relate to unaccounted for disbursements by the Water Service Providers carrying out the implementation of the Urban investments.
- Rural project receivables relate to unaccounted for funds by various partners under the Rural investments. The project disbursements are expected to be accounted for within one year.
- Staff receivables represent funds given to staff as imprest but not accounted for and staff salary advances.

Movements on the provision for impairment of receivables are as follows:

	2023 KShs	2022 KShs
At start of year	56,361,555	40,555,369
Provision in the year	124,107,186	20,253,123
Amounts recovered/accounted for	<u>(8,390,162)</u>	<u>(4,446,937)</u>
At end of year	<u>172,078,579</u>	<u>56,361,555</u>

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH AND CASH EQUIVALENTS

	2023 KShs	2022 KShs
NCBA KFW PHASE II KES	50,510,529	307,476
NCBA KFW PHASE II EURO	12,663,238	49,718
NCBA BMGF KES	87,468,860	799
NCBA BMGF USD	20,191,088	-
NCBA KFW PHASE IV	13,696,997	29,898,698
National Bank of Kenya	307,236	59,599,689
National Bank - OBA	-	10,265,938
National Bank - OBA II	-	101,849,234
Kenya Commercial Bank - Recurrent	8,455,894	9,221,969
Kenya Commercial Bank-Fixed Deposit	-	361,099,895
National Bank	1,941,445	34,445,416
Kenya Commercial Bank	15,629,067	63,849,809
NCBA	1,590,507	2,566,859
NCBA	26,630,839	33,450,536
National Bank	275,293,466	-
Kenya Commercial Bank	164,125	9,760,463
NCBA	100,241,412	4,674,448
Co-operative Bank - WLP	17,994,352	17,348,572
Equity Bank	97,799,504	128,613,024
Equity Bank	19,916,832	26,962,311
Cash in hand	122,323	216,859
Cash in transit	197,148,523	170,837,849
	947,766,237	1,065,019,562

*Cash on hand includes amounts received from staff after surrender of imprest totalling to KShs 22,323 (2022: 215,655) and petty cash balance of Ksh 100,000 (2022: 1,204). The balance as at 30 June 2023 represents the amounts that had not yet been deposited in the bank.

** Cash in transit represents funds released by the donors, but at year end were still held in project designated bank accounts at the Central Bank of Kenya. These funds had not reflected in WSTF's bank account as at 30 June 2023.

18. ACCUMULATED SURPLUS

This is composed of the excess of revenue over expenditure relating to funds that have no conditions attached to them. It forms the pool from which future expenses will be drawn. The movement is shown below:

	2023 KShs	2022 KShs
Opening accumulated surplus	82,500,631	271,181,894
Deficit for the year	(140,442,176)	(188,681,263)
Closing accumulated (deficit)/surplus	(57,941,545)	82,500,631

19. UNEXPENDED GRANTS

Unexpended grants – Urban investments	555,653,485	1,139,778,834
Unexpended grants – Rural investments	654,674,864	315,891,823
	1,210,328,349	1,455,670,657

The unexpended grants movement for each investment is presented below:

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. UNEXPENDED GRANTS (Continued)

(a) Unexpended Grants - Urban investments

	Government of Germany- KfW/BMFG KShs	World Bank KShs	KfW Phase IV KShs	Government of Denmark (DANIDA) KShs	Total
As at 1 July 2021					
Funds received from development partners	295,245,076	737,378,140	-	135,835,394	1,168,458,610
GoK Counterpart funding	-	3,798,541,174	361,104,547	-	4,159,645,721
Interest income	4,714,511	18,877,666	-	2,555,769	26,147,946
Refund	-	649,000	-	-	649,000
Total project expenditure	(54,097,619)	(4,026,116,859)	(16,736,121)	(118,171,845)	(4,215,122,444)
As at 30 June 2022	245,861,968	529,329,121	344,368,426	20,219,318	1,139,778,834
As at 1 July 2022					
Funds received from development partners	245,861,968	529,329,122	344,368,426	20,219,318	1,139,778,834
GoK Counterpart funding	7,717,971	141,959,261	38,194,163	-	187,871,395
Interest income	4,002,005	4,072,688	7,183,632	892,678	16,151,003
Refund to donor	-	(47,516)	-	-	(47,516)
Refund from WSPs	-	-	-	1,038,000	1,038,000
Total project expenditure	(52,338,320)	(389,799,858)	(344,981,212)	(2,018,841)	(789,138,231)
As at 30 June 2023	205,243,624	285,513,697	44,765,009	20,131,155	555,653,485
Donor income recognized in the year (note 7) - Total project expenditure less GoK counterpart funding, interest income and foreign exchange gain/(loss)					
2022	54,097,619	4,026,116,859	16,731,469	118,171,845	4,219,197,759
2023	52,338,320	389,799,858	344,981,212	2,018,841	789,138,231
Represented by:					
Cash and cash equivalents	170,833,715	97,799,504	13,696,997	19,916,832	302,247,048
Cash in transit	-	63,231,857	-	-	63,231,857
Project Receivables	35,143,990	107,755,304	85,811,487	309,046	229,019,827
Project receivable SIDA	-	32,463,083	-	-	32,463,083
Assets	-	-	82,710	-	86,626
Other Receivables	3,916	-	-	-	-
Payables	(737,997)	(15,736,051)	(54,826,185)	(94,723)	(71,394,956)
Total	205,243,624	285,513,697	44,765,009	20,131,155	555,653,485

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. UNEXPENDED GRANTS (Continued)

(b) UNEXPENDED GRANTS (Rural investments)

	UNICEF	Sweden/ Finland – J6P	European Union- EU (Rural)	Government of Denmark	Government of Denmark – SWASAP	IFAD	Total
As at 1 July 2021	14,682,006	13,329,695	318,715,626	247,277,787	-	57,798,444	651,803,558
Funds received from development partners	-	-	-	11,972,962	130,337,849	71,560,372	213,871,183
GoK Counterpart funding	-	-	86,360,000	-	-	-	86,360,000
Donor interest income	-	204,547	1,352,046	2,427,979	-	-	3,984,572
Total project Expenditure	-	(9,805,581)	(364,048,940)	(205,361,610)	(20,201,165)	(40,710,194)	(640,127,490)
As at 30 June 2022	14,682,006	3,728,661	42,378,733	56,317,117	110,136,684	88,648,622	315,891,823
As at 1 July 2022	14,682,006	3,728,661	42,378,733	56,317,117	110,136,684	88,648,622	315,891,823
Funds received from development partners	-	-	500,000,000	-	300,000,000	116,756,740	916,756,740
GoK Counterpart funding	-	-	-	-	-	-	-
Refunds	-	-	86,606	159,658	7,500	-	253,764
Interest income	-	123,781	2,693,425	1,132,692	8,955,493	-	12,905,391
Total project expenditure	-	(2,276,455)	(298,535,979)	(3,883,106)	(104,292,347)	(182,144,967)	(591,132,854)
As at 30 June 2023	14,682,006	1,575,987	246,622,785	53,726,361	314,807,330	23,260,395	654,674,864
Donor income recognized in the year (note 7) - Total project expenditure less GoK counterpart funding, interest income and foreign exchange gain/(loss)	-	10,115,082	277,688,940	206,269,183	20,201,165	40,710,194	554,984,564
2023	-	2,276,455	298,535,979	3,883,106	104,292,347	182,144,967	590,567,664
Represented by:							
Cash and cash equivalents	-	164,125	101,831,919	44,625,191	275,293,466	1,941,445	423,856,146
Project Receivables	-	365,825	194,671,056	9,285,625	53,230,592	25,432,044	282,985,142
Receivables from Sida	-	1,075,603	-	-	-	-	1,075,603
Other Receivables	14,682,006	480	2,027,195	24,936	442,025	-	17,176,642
Payables	-	(29,566)	(51,907,385)	(209,391)	(14,158,753)	(4,113,094)	(70,418,189)
Total	14,682,006	1,575,987	246,622,785	53,726,361	314,807,330	23,260,395	654,674,864

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. DEFERRED INCOME FROM CAPITAL GRANTS

	2023 KShs	2022 KShs
As at 1 July	7,966,915	7,457,772
Additions	-	2,650,000
Transfer to income - expensed	(4,833,547)	-
Transfer to income – depreciation	(1,227,093)	(2,140,857)
	<u>(6,060,640)</u>	<u>(2,140,857)</u>
As at 30 June	<u>1,906,275</u>	<u>7,966,915</u>
Current	1,227,093	679,429
Non – current	<u>679,182</u>	<u>7,287,486</u>
As at 30 June	<u>1,906,275</u>	<u>7,966,915</u>

The portion transferred to income represents depreciation charge for 12 months at the year-end on the donated assets during the year and the repurposed amount for Ijaara Project under the GoK priority projects.

21. STAFF GRATUITY

	2023 KShs	2022 KShs
At start of year	16,476,734	64,804,129
Provision for the year	16,939,473	11,815,820
Paid during the year	<u>(2,262,709)</u>	<u>(60,143,215)</u>
As at 30 June	<u>31,153,498</u>	<u>16,476,734</u>
Current	-	-
Non-current	<u>31,153,498</u>	<u>16,476,734</u>
As at 30 June	<u>31,153,498</u>	<u>16,476,734</u>

This refers to the estimated monetary liability for contractual employees' accrued service gratuity entitlement at the end of the reporting period. Gratuity is accrued at the rate of 31% of annual basic salary. The current portion is payable within one year.

22. TRADE AND OTHER PAYABLES

	2023 KShs	2022 KShs
Trade payables	150,005,429	128,517,034
Staff leave accrual	10,877,956	14,868,848
Withholding tax payable	<u>10,658,652</u>	<u>6,970,665</u>
	<u>171,542,037</u>	<u>150,356,547</u>

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. NOTES TO THE STATEMENT OF CASH FLOWS

	2023	2022
	KShs	KShs
Reconciliation of Net Cash Flows from Operating Activities to the deficit		
Deficit from ordinary activities	(140,442,176)	(188,681,263)
Non cash movements		
Depreciation	15,237,406	10,666,042
Amortization	205,533	275,483
Decrease in receivables from non-exchange transactions	232,029,732	554,421,635
Decrease/(increase) in inventories	479,934	(191,795)
Decrease in unexpended grants	(245,342,307)	(364,591,513)
(Decrease)/increase in deferred income	(6,060,639)	509,143
Increase/(decrease) in staff gratuity	14,676,764	(48,327,395)
Increase in trade and other payables	21,185,490	67,382,872
Gain on disposal of assets	(393,430)	(716,595)
Net cashflows (used in)/from operating activities	<u>(108,423,695)</u>	<u>30,746,614</u>

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and balances with banks. Cash and cash equivalents included in the cashflow statement comprise of the following statement of financial position amounts

	2023	2022
	KShs	KShs
Cash on hand and balances with banks	<u>947,766,237</u>	<u>1,065,019,562</u>

24. CAPITAL COMMITMENTS

Capital Assets	2023	2022
	KShs	KShs
Authorised for	72,600,000	44,000,000
Authorised and contracted for	-	-
Total	<u>72,600,000</u>	<u>44,000,000</u>

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. OPERATING LEASE ARRANGEMENTS

	2023 KShs	2022 KShs
Minimum lease payments under operating leases recognized through Statement of financial performance	<u>23,446,844</u>	<u>15,312,232</u>

At the end of the reporting period, WaterFund had outstanding commitments under operating leases, payable as follows:

	2023 KShs	2022 KShs
Within one year	27,083,914	21,354,929
In the second to fifth years inclusive	<u>80,622,268</u>	<u>85,708,886</u>
	<u>107,706,182</u>	<u>107,063,815</u>

Operating lease payments represent rentals payable by WaterFund for its office premises. The lease will expire in December 2025.

26. RELATED PARTY TRANSACTIONS

i) Key management compensation

The remuneration of Trustees and other members of key management during the year were as follows:

	2023 KShs	2022 KShs
Salaries and other short-term benefits	27,876,112	24,387,673
Gratuity	7,712,789	5,679,733
NSSF	<u>64,800</u>	<u>12,000</u>
	<u>35,653,701</u>	<u>30,079,406</u>
Trustees emoluments	12,925,306	8,519,000
Other emoluments (included in key management compensation above)	20,090,088	17,956,044

ii) WSTF is a State Corporation. Funds received from the Government of Kenya are disclosed under note 6.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. CONTINGENT LIABILITIES

As at 30 June 2023, the Trustees were not aware of any contingent liabilities.

28. FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

(b) Financial risk management objectives

WaterFund's activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency. The fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. In the current year the management met and drafted a risk management manual that will guide in the management of the risks affecting the fund.

(c) Credit risk

WaterFund's credit risk is primarily attributable to its liquid funds with financial institutions, staff receivables as well as funds advanced to projects. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings. The financial assets are fully performing as the fund continues to enjoy the services secured by these balances. The default rate is low.

The amount that best represents the Fund's maximum exposure to credit as at 30 June is made up as follows:

	Total KShs	Fully performing KShs	Past due KShs	Impaired KShs
Cash at bank	947,766,237	947,766,237	-	-
Project receivables	517,467,344	345,388,765	172,078,579	-
Staff receivables	5,035,302	5,035,302	-	-
Prepayments and other trade debtors	13,579,366	13,579,366	-	-
At 30 June 2023	1,483,848,249	1,311,769,670	172,078,579	-
Cash at bank	1,065,019,562	1,065,019,562	-	-
Project receivables	634,515,142	578,153,587	56,361,555	-
Staff receivables	5,102,676	5,102,676	-	-
Prepayments and other trade debtors	12,776,902	12,776,902	-	-
At 30 June 2022	1,717,414,282	1,661,052,727	56,361,555	-

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. FINANCIAL RISK MANAGEMENT POLICIES (Continued)

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the trustees, who have built an appropriate liquidity risk management framework for the management of WaterFund's short, medium and long-term funding and liquidity management requirements. The WaterFund manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows and developing a risk management policy manual to guide in risk assessment and management in the fund.

The table below analyses the WaterFund's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows as the impact of discounting is not significant.

	Less than 1 month KShs	Between 1-3months KShs	Over 5 Months KShs	Total KShs
Trade payables	128,517,034	-	-	128,517,034
Withholding tax payable	6,970,665	-	-	6,970,665
Staff leave	-	14,868,848	-	14,868,848
Staff gratuity	-	-	16,476,734	16,476,734
Deferred income	-	-	7,966,915	7,966,915
At 30 June 2022	135,487,699	14,868,848	24,443,649	174,800,196
Trade payables	100,361,957	42,471,637	7,171,835	150,005,429
Withholding tax payable	10,658,652	-	-	10,658,652
Staff leave	-	10,877,956	-	10,877,956
Staff gratuity	-	-	31,153,498	31,153,498
Deferred income	-	-	1,906,275	1,906,275
At 30 June 2023	111,020,609	53,349,593	40,231,608	204,601,810

(e) Market risk management

WaterFund takes on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the fund's surplus or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of market risk is done by management in conjunction with the Board of Trustees. Market risk exposures are measured by the use of sensitivity analyses. The market risk exposure for the Fund relates primarily to currency risk.

Foreign Currency Risk

The fund undertakes certain transactions denominated in foreign currencies mainly the USD and Euro. This results in exposures to exchange rate fluctuations. The Fund does not hedge its foreign currency risk.

In light of the above, any adverse movements in exchange rates may result in either exchange gain or loss, with the latter having a negative impact on earnings, as the Fund reports its financial performance in Kenya Shillings.

18. NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. FINANCIAL RISK MANAGEMENT POLICIES (continued)

The carrying amount of the Fund's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Foreign currency Denominated Balances	2023	2022
NCBA Bank - KfW Phase II Euro	82,776	82,776
NCBA Bank – KfW USD	<u>143,583</u>	<u>78,263</u>

Foreign currency sensitivity analysis

The following table demonstrates the effect on the entity's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant. The EUR rate used as at June 2023 is 118.7.

	Change in currency rate	Effect on financial performance	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2023			
Euro	10%	1,266,320	1,266,320
USD	10%	2,017,679	2,017,679
2022			
Euro	10%	1,026,590	1,026,590
USD	10%	922,192	922,192

29. CAPITAL RISK MANAGEMENT

WaterFund manages its funds to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and fund balance.

The capital structure of the WaterFund consists of revenue reserves and unexpended grants. The Fund was not geared as at 30 June 2023 and 30 June 2022 as follows:

	2023 Kshs	2022 Kshs
Revenue reserve	(57,941,545)	82,500,631
Unexpended grants	<u>1,210,328,349</u>	<u>1,455,670,657</u>
Total Funds	<u>1,152,386,804</u>	<u>1,538,171,288</u>
Total Borrowings	<u>-</u>	<u>-</u>

30. Events after the Reporting Period

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

31. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

19. APPENDICES

APPENDIX I: – IMPLEMENTATION STATUS OF PRIOR AUDIT RECOMMENDATIONS

S/ No	Observation from the auditor	Management comments	Status as at 30 June 2023	Responsibility	Time frame																						
2.1	<p>Questioned costs</p> <p>There were instances of questioned project costs amounting to KES 53,892,585 (<i>refer to breakdown in section 12</i>) arising from project expenditure incurred by implementing partners as detailed below. The questioned costs arose from expenditure transactions that were not adequately supported, anomalies in the procurement, payment of VAT from donor funds among other factors and non-compliance with development partners' guidelines.</p> <table border="1"> <thead> <tr> <th>Donor</th> <th>Questioned costs (KES)</th> </tr> </thead> <tbody> <tr> <td>CLSG</td> <td>16,459,744</td> </tr> <tr> <td>Danida Covid 19</td> <td>1,040,899</td> </tr> <tr> <td>EU CPIRA</td> <td>2,462,291</td> </tr> <tr> <td>GGEP</td> <td>5,496,663</td> </tr> <tr> <td>GoK</td> <td>5,100,000</td> </tr> <tr> <td>IFAD</td> <td>666,709</td> </tr> <tr> <td>J6P</td> <td>309,500</td> </tr> <tr> <td>KFW/BMGF</td> <td>3,650,714</td> </tr> <tr> <td>WLP</td> <td>17,250,028</td> </tr> <tr> <td>Total</td> <td>53,436,548</td> </tr> </tbody> </table> <p>In addition, unliquidated balances amounting to KES 29,156,823 as detailed below held as at 30 June 2022 for the Danida financed projects have been questioned:</p>	Donor	Questioned costs (KES)	CLSG	16,459,744	Danida Covid 19	1,040,899	EU CPIRA	2,462,291	GGEP	5,496,663	GoK	5,100,000	IFAD	666,709	J6P	309,500	KFW/BMGF	3,650,714	WLP	17,250,028	Total	53,436,548	<p>An action plan has been developed to follow up on the questioned costs and have the implementing partners provide supporting documentations as recommended. Where questioned costs are not adequately supported, the partners will be demanded to pay back to the Water Sector Trust Fund, the amounts questioned. We intend to have these matters concluded by the end of the 3rd quarter of FY 2022/23.</p>	<p>Partially resolved</p> <p>An action plan was developed to follow up on the questioned costs and have the implementing partners provide supporting documentation as recommended. During the year, some of the implementing partners have provided supporting documents and/or refunded the amounts in question. These documents will be shared with the auditors during the audit of the financial year 2023/24 for review.</p>	<p>GM Investments, GM Corporate Services,</p>	<p>30 June 2024</p>
Donor	Questioned costs (KES)																										
CLSG	16,459,744																										
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Total	13,132,829	16,023,994	29,156,823																						
2.2	<p>Lack of a cost allocation policy for overhead costs There were instances as detailed where WSTF charged fuel and rent costs to donors. For fuel, the payment was made to replenish a fuel card but there was no evidence that the expenditure was directly related to the project against which it was charged. For the rent expense, WSTF charged this to the EU project to the extent of the budget and there was no clear and consistent basis as to why WSTF allocates this amount to the various projects.</p> <table border="1"> <thead> <tr> <th>Donor</th> <th>Payee</th> <th>Description</th> <th>Amount (KES)</th> </tr> </thead> <tbody> <tr> <td>SWASAP</td> <td>Total Kenya Limited</td> <td>Being payment for replenishing fuel card for Car REG No. KCD 900G</td> <td>100,000</td> </tr> <tr> <td>SWASAP</td> <td>Total Kenya Limited</td> <td>Being payment for replenishing fuel card for Car REG No. KBP 665Q.</td> <td>100,000</td> </tr> <tr> <td>EU CPIRA</td> <td>CIC</td> <td>Being payment made for commercial rent and service charge for WSTF offices from April to June 2022.</td> <td>1,348,008</td> </tr> <tr> <td>EU CPIRA</td> <td>CIC</td> <td>Being payment made for commercial rent and service charge for WSTF offices from July to September 2021.</td> <td>583,408</td> </tr> </tbody> </table>	Donor	Payee	Description	Amount (KES)	SWASAP	Total Kenya Limited	Being payment for replenishing fuel card for Car REG No. KCD 900G	100,000	SWASAP	Total Kenya Limited	Being payment for replenishing fuel card for Car REG No. KBP 665Q.	100,000	EU CPIRA	CIC	Being payment made for commercial rent and service charge for WSTF offices from April to June 2022.	1,348,008	EU CPIRA	CIC	Being payment made for commercial rent and service charge for WSTF offices from July to September 2021.	583,408	<p>The recommendation has been well noted and the management will develop a cost allocation policy in the 3rd quarter of the FY 2022/23 and have it implemented in the 4th quarter of the same financial year.</p>	<p>Not resolved The management will develop a cost allocation policy and have it implemented in 2023/24 financial year.</p>	<p>GM Corporate Services</p>	<p>31 March 2024</p>
Donor	Payee	Description	Amount (KES)																						
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S/ No	Observation from the auditor	Management comments	Status as at 30 June 2023	Responsibility	Time frame																														
2.3	<p>Failure to remit withholding tax on interest income KES 915,581 as detailed below relates to WHT on interest income earned from project accounts that was not remitted to KRA.</p> <table border="1"> <thead> <tr> <th>Programme</th> <th>Bank Account</th> <th>Interest Income (KES)</th> <th>Interest income net WHT deducted at source (KES)</th> <th>WHT not remitted to KRA (KES)</th> </tr> </thead> <tbody> <tr> <td>WLP</td> <td>Cooperative bank</td> <td>1,219,533.55</td> <td>1,036,603.52</td> <td>182,930.03</td> </tr> <tr> <td>GGEP</td> <td>NCBA bank</td> <td>1,636,911.76</td> <td>1,391,375.00</td> <td>245,536.76</td> </tr> <tr> <td>Covid-19</td> <td>Equity bank</td> <td>3,006,787.41</td> <td>2,555,769.30</td> <td>451,018.11</td> </tr> <tr> <td>J6P</td> <td>KCB bank</td> <td>240,643.24</td> <td>204,546.75</td> <td>36,096.49</td> </tr> <tr> <td>Total</td> <td></td> <td>6,103,875.96</td> <td>5,188,294.57</td> <td>915,581.39</td> </tr> </tbody> </table>	Programme	Bank Account	Interest Income (KES)	Interest income net WHT deducted at source (KES)	WHT not remitted to KRA (KES)	WLP	Cooperative bank	1,219,533.55	1,036,603.52	182,930.03	GGEP	NCBA bank	1,636,911.76	1,391,375.00	245,536.76	Covid-19	Equity bank	3,006,787.41	2,555,769.30	451,018.11	J6P	KCB bank	240,643.24	204,546.75	36,096.49	Total		6,103,875.96	5,188,294.57	915,581.39	Management will ensure that withholding tax deducted are promptly remitted to KRA in the current Financial Year.	Resolved In the financial year 2022/23 the management has begun deducting the withholding tax on interest income and remitting it to KRA.	-	-
Programme	Bank Account	Interest Income (KES)	Interest income net WHT deducted at source (KES)	WHT not remitted to KRA (KES)																															
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3.1	<p>Long outstanding project receivables There were instances of project receivables outstanding for more than 365 days amounting to KES. 83,020,492. These advances were assessed as doubtful and have been provided for by WSTF in the financial statements for the year ended 30 June 2022.</p> <table border="1"> <thead> <tr> <th>Program</th> <th>Partner</th> <th>Amount (KES)</th> </tr> </thead> <tbody> <tr> <td>KFW/BMGF</td> <td>Baba Dogo Water Extension</td> <td>698,677</td> </tr> <tr> <td>KFW/BMGF</td> <td>Bar Kowino Nyawita Water Project</td> <td>1,844,969</td> </tr> <tr> <td>KFW/BMGF</td> <td>Bulla Arabia And Bulla Garal Call 7</td> <td>2,302,552</td> </tr> <tr> <td>KFW/BMGF</td> <td>Busia Port Victoria Household Sanitation</td> <td>933,514</td> </tr> <tr> <td>KFW/BMGF</td> <td>Garissa Primary Playground Psf</td> <td>77,774</td> </tr> <tr> <td>KFW/BMGF</td> <td>Homabay Town Household Sanitation Project</td> <td>506,144</td> </tr> <tr> <td>KFW/BMGF</td> <td>Ijara Household Sanitation-Kfw</td> <td>1,963,805</td> </tr> </tbody> </table>	Program	Partner	Amount (KES)	KFW/BMGF	Baba Dogo Water Extension	698,677	KFW/BMGF	Bar Kowino Nyawita Water Project	1,844,969	KFW/BMGF	Bulla Arabia And Bulla Garal Call 7	2,302,552	KFW/BMGF	Busia Port Victoria Household Sanitation	933,514	KFW/BMGF	Garissa Primary Playground Psf	77,774	KFW/BMGF	Homabay Town Household Sanitation Project	506,144	KFW/BMGF	Ijara Household Sanitation-Kfw	1,963,805	The management will implement the recommendation. The CRMs will be tasked with ensuring that the implementing partners in their areas of jurisdiction provide satisfactory reports in a timely manner. This task will contribute to part of their deliverable every month beginning the month of December 2022.	Partially Resolved The CRMs/QAMs are now tasked with ensuring that the implementing partners in their areas of jurisdiction provide satisfactory reports in a timely manner.	GM Programmes GM Corporate Services GM Internal Audit and Risk Assurance	30 June 2024						
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KFW/BMGF	Baba Dogo Water Extension	698,677																																	
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Water Sector Trust Fund
Annual Report and Financial Statements
For the year ended 30 June 2023
Appendices

S/ No	Observation from the auditor			Management comments	Status as at 30 June 2023	Responsibility	Time frame
	KFW/BMGF	Kiambu Water Extension,	6,882,498				
	KFW/BMGF	Kibwezi Household San	25,049				
	KFW/BMGF	Kimende Pipeline Call 7	43,200				
	KFW/BMGF	Kirinyaga Household Sanitation Project	140,605				
	KFW/BMGF	Mathare Sustainability Water Project	3,493,298				
	KFW/BMGF	Mbale Household Sanitation Project Amatsi	1,837,102				
	KFW/BMGF	Mitunguu Town Household Sanitation Project	2,065,234				
	KFW/BMGF	Naromoru Household Sanitation Project	130,924				
	KFW/BMGF	Nolturesh Nzai Household Sanitation Project	5,467,479				
	KFW/BMGF	Ongata Rongai Sanitation (Safisan Pilot) Project	302,689				
	KFW/BMGF	Ukunda Household Sanitation Project	1,053,108				
	KFW/BMGF	Rumuruti Town Household Sanitation Nyahururu	1,134				
	KFW/BMGF	Sabasaba Maragua Household Sanitation Murang'a South	13,097				
	CLSG	Amatsi Water Services Co Ltd CLSG	26,659,238				
	COVID 19	Nairobi Water COVID 19	1,347,045				
	CPC-SIDA	Kimangao Water and Sanitation Project	1,075,603				
	MTAP	Mchelelo Primary School	26,525				
	EU SHARE	Kone Community	6,142,945				
	EU SHARE	Manda Maweni Watsan Project	383,034				
	EU SHARE	Quachacha	1,025,487				
	GGEP	Kochodin Wrua	5,536,954				
	GGEP	Harajab WATSAN	144,253				
	GGEP	Libahlow WATSAN	101,525				
	GGEP	Shebta Caad WATSAN	3,476,372				

S/ No	Observation from the auditor			Management comments	Status as at 30 June 2023	Responsibility	Time frame																																												
	GGEF	Other Receivables	23,545																																																
	J6P	Mrima CLTS Project	3,141																																																
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	<p>There were also instances of subgrantees with minimal liquidations in the year such that largely the opening balance was still outstanding as at year end.</p> <table border="1"> <thead> <tr> <th>Partner</th> <th>Opening Balance (KES)</th> <th>Liquidation during the year (KES)</th> <th>Closing Balance (KES)</th> </tr> </thead> <tbody> <tr> <td>Kapenguria Household Sanitation</td> <td>1,290,596</td> <td>3,010</td> <td>1,287,586</td> </tr> <tr> <td>Mbale Household Sanitation Project</td> <td>2,969,900</td> <td>424,226</td> <td>2,545,674</td> </tr> <tr> <td>Muranga South Household Sanitation Project</td> <td>4,176,290</td> <td>2,702</td> <td>4,173,588</td> </tr> <tr> <td>Mwatate Household Sanitation Tavevo</td> <td>4,394,884</td> <td>1,191</td> <td>4,393,693</td> </tr> <tr> <td>Kirinyaga Household San</td> <td>2,851,947</td> <td>69,847</td> <td>2,782,100</td> </tr> <tr> <td>Naivasha Household San</td> <td>637,768</td> <td>122,305</td> <td>515,463</td> </tr> <tr> <td>Gangara Wrua</td> <td>6,008,067</td> <td>1,440</td> <td>6,006,627</td> </tr> <tr> <td>Iraru Wrua</td> <td>315,000</td> <td>115,618</td> <td>199,383</td> </tr> <tr> <td>Lower Thangatha Wrua</td> <td>316,400</td> <td>43,500</td> <td>272,900</td> </tr> <tr> <td>Lower Thingithu Wrua</td> <td>315,600</td> <td>51,390</td> <td>264,210</td> </tr> </tbody> </table>							Partner	Opening Balance (KES)	Liquidation during the year (KES)	Closing Balance (KES)	Kapenguria Household Sanitation	1,290,596	3,010	1,287,586	Mbale Household Sanitation Project	2,969,900	424,226	2,545,674	Muranga South Household Sanitation Project	4,176,290	2,702	4,173,588	Mwatate Household Sanitation Tavevo	4,394,884	1,191	4,393,693	Kirinyaga Household San	2,851,947	69,847	2,782,100	Naivasha Household San	637,768	122,305	515,463	Gangara Wrua	6,008,067	1,440	6,006,627	Iraru Wrua	315,000	115,618	199,383	Lower Thangatha Wrua	316,400	43,500	272,900	Lower Thingithu Wrua	315,600	51,390	264,210
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	Mariara Wrua	3,866,976	1,019,316	2,847,660				
	Ragati Wrua	2,952,836	1,700	2,951,136				
	Upper Thingithu Wrua	847,400	132,773	714,627				
6.1	<p>Risk management in project implementation</p> <p>Nolturesh Water and Sanitation Company Limited had a project receivable balance of KES 5,467,479 which has been outstanding since the 2019/2020 financial year and was provided for in the last financial year.</p> <p>In FY2021/2022, WSTF disbursed an additional KES 37,182,159 to Nolturesh Water under the CLSG programme yet the long outstanding balance of KES 5,467,479 had not been accounted for.</p> <p>Similarly, in FY2021/2022, WSTF disbursed KES 24,650,000 to Amatsi Water Services Company Limited which had not accounted for KES 26,659,238 advanced to them in FY2020/2021. The total outstanding receivable balance from Amatsi Water was KES. 51,309,238 as at 30 June 2022.</p>				<p>The recommendation is well-noted.</p> <p>The management reviewed the progress that Nolturesh was making in addressing the challenges it faced that led to the long-outstanding receivables and decided to have the WSP and the people it serves to benefit from the CLSG programme. The WSP has a new board and management that is committed to having the receivables addressed. Nolturesh has reported having successfully completed the CLSG project.</p> <p>As for Amatsi, the WSTF had been monitoring the project closely and did not identify any red flags then that would have led to the stopping of further funding. The WSTF is still following up closely on the two projects with the objective of ensuring that the funds disbursed are safe.</p>	<p>Partially resolved</p> <p>Nolturesh has reported having successfully completed the CLSG project.</p> <p>As for Amatsi, the WSTF had been monitoring the project closely and has noted that it is progressing on well.</p> <p>The WSTF is still following up closely on the two projects with the objective of ensuring that the funds disbursed are safe.</p>	GM Programmes	31 December 2023

S/ No	Observation from the auditor	Management comments	Status as at 30 June 2023	Responsibility	Time frame																		
4.1	<p>Invalid accruals Expenditure amounting to KES 12,080,020 was reported by WSTF in the year ended 30 June 2022. However, the amounts had not been incurred.</p> <table border="1"> <thead> <tr> <th>Supplier</th> <th>Offset Acct Name</th> <th>Amount (KES)</th> </tr> </thead> <tbody> <tr> <td>Eng. James Wainaina</td> <td>Service Agents / Consultants</td> <td>2,572,340</td> </tr> <tr> <td>Ernest and Martin Associate</td> <td>Technical Consultancies</td> <td>620,880</td> </tr> <tr> <td>Edoba Kenya Limited</td> <td>Research and Development</td> <td>3,980,000</td> </tr> <tr> <td>Bora Soft Limited</td> <td>Planning & Research</td> <td>4,906,800</td> </tr> <tr> <td>Total</td> <td></td> <td>12,080,020</td> </tr> </tbody> </table>	Supplier	Offset Acct Name	Amount (KES)	Eng. James Wainaina	Service Agents / Consultants	2,572,340	Ernest and Martin Associate	Technical Consultancies	620,880	Edoba Kenya Limited	Research and Development	3,980,000	Bora Soft Limited	Planning & Research	4,906,800	Total		12,080,020	The recommendation is well-noted.	Resolved During the financial year 2022/23, the management booked accruals only for goods/services delivered.	-	
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Bora Soft Limited	Planning & Research	4,906,800																					
Total		12,080,020																					
4.1	<p>Long outstanding donor payables WSTF implemented a project financed by UNICEF. As at 30 June 2019, the project had an unexpended grant amount of KES 14,682,006. The amount has not been utilised nor refunded to UNICEF subsequently and hence was still on the WSTF books as at 30 June 2022.</p> <p>In addition, KES 5,249,200 relating to the Hulugho Reverse Osmosis Water Project financed under the GoK Priority project has been outstanding since 30 June 2020 without subsequent expenditure.</p>	The management will implement the recommendation in this FY 2022/23.	Not Resolved The management will implement the recommendation in the Financial Year 2023/24.	GM Investments, GM Corporate Services,	31 March 2024																		
5.1	<p>Non-compliance with RBA regulations on pension The WSTF Board of Trustees approved the implementation of new human resource instruments effective 1 March 2022. This transitioned all staff other than managers and staff aged 50 years and above from contract staff to permanent and pensionable. It was agreed that the employer would contribute 20% of the basic salary as pension while the employee would contribute 10% to a pension scheme. There was no evidence of remittance of the pension effective March 2022 to a registered pension scheme.</p>	The Fund embarked on establishment of Water Sector Trust Fund pension scheme for the purpose of running the employer and employee monthly deductions as per the legal requirements. Having consulted the Board of Trustees on the matter, the Board advised the management to establish its	Resolved The management in consultation with the Retirement Benefit Authority has a scheme set up and running for the Waterfund staff.	-																			

S/ No	Observation from the auditor	Management comments	Status as at 30 June 2023	Responsibility	Time frame																												
	<table border="1"> <thead> <tr> <th>Month</th> <th>Employer contribution (KES)</th> <th>Employee contribution (KES)</th> </tr> </thead> <tbody> <tr> <td>March 2022</td> <td>813,780</td> <td>1,627,559</td> </tr> <tr> <td>April 2022</td> <td>813,780</td> <td>1,627,559</td> </tr> <tr> <td>May 2022</td> <td>847,858</td> <td>1,695,693</td> </tr> <tr> <td>June 2022</td> <td>847,858</td> <td>1,695,693</td> </tr> <tr> <td>Total</td> <td>3,323,276</td> <td>6,646,504</td> </tr> </tbody> </table>	Month	Employer contribution (KES)	Employee contribution (KES)	March 2022	813,780	1,627,559	April 2022	813,780	1,627,559	May 2022	847,858	1,695,693	June 2022	847,858	1,695,693	Total	3,323,276	6,646,504	<p>own pension scheme. At the moment the management is in consultation with the Retirement Benefit Authority to finalize on the Scheme.</p> <p>The management expects to have the scheme up and running by the end of the 3rd quarter of the FY 2022/23.</p>													
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Total	3,323,276	6,646,504																															
5.2	<p>Non-compliance with the Human Resource Policy The following expenditure did not comply with the organization's Human Resources policy on meal allowance rates as detailed below. The rate for the lunch and dinner allowances for a staff on grade 7 is KES 750 per meal. However, the below staff was paid at the rate of KES 1,500 per meal.</p> <table border="1"> <thead> <tr> <th>Reference</th> <th>Date</th> <th>Description</th> <th>Staff name</th> <th>Paid (KES)</th> <th>As per WSTF policy</th> <th>Variance (KES)</th> </tr> </thead> <tbody> <tr> <td>150020706</td> <td>10 March 2022</td> <td>Being payment of dinner allowance</td> <td>Patrick Mula</td> <td>7,500</td> <td>3,750</td> <td>3,750</td> </tr> <tr> <td>150020706</td> <td>10 March 2022</td> <td>Being payment of lunch allowance</td> <td>Patrick Mula</td> <td>7,500</td> <td>3,750</td> <td>3,750</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>7,500</td> </tr> </tbody> </table>	Reference	Date	Description	Staff name	Paid (KES)	As per WSTF policy	Variance (KES)	150020706	10 March 2022	Being payment of dinner allowance	Patrick Mula	7,500	3,750	3,750	150020706	10 March 2022	Being payment of lunch allowance	Patrick Mula	7,500	3,750	3,750	Total						7,500	<p>The officer Mr Patrick Mula, Assistant officer job grade 7 was entitled at the rate of Kshs 750 as lunch and or dinner meal allowance. He was erroneously paid at a rate of kshs 1,500 which is for a higher grade. The officer has been advised to refund the difference of kshs 3,750 being payment for 5 days meal allowances by the end of November 2022 or risk having it deducted from his dues in the payroll of December 2022.</p>	<p>Resolved The officer has since refunded the difference of KES 3,750 being payment for 5 days meal allowances.</p>	-	
Reference	Date	Description	Staff name	Paid (KES)	As per WSTF policy	Variance (KES)																											
150020706	10 March 2022	Being payment of dinner allowance	Patrick Mula	7,500	3,750	3,750																											
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Total						7,500																											
6.1	<p>Lack of documented project close-out procedures The financing agreement between WSTF and Danida for the implementation of three projects (WLP, GGEP and Covid-19) ended on 30 June 2022. In addition, the agreement for the J6P project ended on 30 June 2021. There was no evidence provided that WSTF has documented guidelines on close-out procedures to be followed when closing a grant.</p>	<p>The recommendation is well-noted with the investments department planning to develop a close programme and projects close-out policy and have clear processes of closure being incorporated in</p>	<p>Not Resolved The close out policy will be developed in the FY 2023/24.</p>	GM Investments	30 June 2024																												

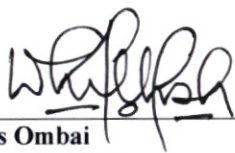
S/ No	Observation from the auditor	Management comments	Status as at 30 June 2023	Responsibility	Time frame																																				
	<p>There were instances where the financing agreements between WSTF and its sub-grantees ended on 30 June 2022, which was also the date when the financing agreement between WSTF and Danida expired as detailed below. Hence, there was no time for project closeout and monitoring of the defect liabilities.</p> <table border="1"> <thead> <tr> <th>Partner name</th> <th>Danida project name</th> </tr> </thead> <tbody> <tr> <td>AMREF</td> <td>WLP</td> </tr> <tr> <td>AAHI</td> <td>WLP</td> </tr> <tr> <td>World Vision Kenya</td> <td>WLP</td> </tr> <tr> <td>Oxfam Kenya</td> <td>WLP</td> </tr> <tr> <td>Nairobi City Water Sewerage and Company</td> <td>Covid-19</td> </tr> </tbody> </table> <p>In addition, there was an instance where WSTF instructed a sub-grantee (LOKIWASCO) to make retention payment before the lapse of the contractual period to allow for project closure as detailed below.</p> <table border="1"> <thead> <tr> <th>Invoice No.</th> <th>PV No.</th> <th>Contractor</th> <th>DLP end date</th> <th>Date of retention payment</th> <th>Amount paid (KES)</th> </tr> </thead> <tbody> <tr> <td>002</td> <td>PV 64</td> <td>Eish Constructi</td> <td>30/12/2022</td> <td>1/07/2022</td> <td>498,031</td> </tr> <tr> <td>002</td> <td>PV 65</td> <td>on company</td> <td>30/12/2022</td> <td>1/07/2022</td> <td>498,031</td> </tr> <tr> <td colspan="5">TOTAL</td> <td>996,062</td> </tr> </tbody> </table> <p>There were also other instances as detailed below, where retention expenditure was reported by AMREF to WSTF, but no payment had been done to the vendors.</p>	Partner name	Danida project name	AMREF	WLP	AAHI	WLP	World Vision Kenya	WLP	Oxfam Kenya	WLP	Nairobi City Water Sewerage and Company	Covid-19	Invoice No.	PV No.	Contractor	DLP end date	Date of retention payment	Amount paid (KES)	002	PV 64	Eish Constructi	30/12/2022	1/07/2022	498,031	002	PV 65	on company	30/12/2022	1/07/2022	498,031	TOTAL					996,062	<p>its procedures for the various funding mechanisms. The close out policy will be developed by the end of the 3rd quarter of the FY 2022/23.</p>			
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	Payee and Voucher Ref	Description	Project end date/ period end	Total unpaid retention as at period end (KES)	Date of end of defects liability period				
	Golbo Holdings PV039711 PV041413	Equipping Napeikar borehole, construction of 6km Napeikar-Nakururum pipeline, 2 water kiosks, water defluorination system and steel water tank	3,878,832	629,955.82	July 2022				
	Nengo Enterprises PV040169	Borehole equipping, construction of 10m3 steel tank, communal water point /system and fencing at Nakulumei	2,212,858.42	110,642.00	July 2022				
	Nile Logistics and service company PV038614 PV040254	Construction of two four door VIP latrines for boys and girls at ST Ann Primary school	1,169,467	58,473.35	June 2022				
	Nile Logistics and service company PV038613 PV040253	Construction of two four door VIP latrines for boys and girls at St. Luke's Primary School	1,166,727	58,336.35	June 2022				
	Nile Logistics and service company	Construction of two blocks of four door VIP latrines for boys	1,163,807	70,230.00	June 2022				

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	PV040208	and girls at Emilat Primary School																						
	Frejed Engineering service	construction of 50,000m3 water pan at Kochomin	4,183,984.09	432,825.09	Not applicable as final payment not yet paid																			
	PV40039																							
				1,360,462.61																				
<p>WSTF received two letters from Danida on 7 February 2022 and 20 April 2022 respectively. In both communications, Danida indicated that any costs that will be incurred or payments made beyond 30 June 2022 other than audit fees and end of programme evaluation will be a liability of WSTF. However, as at 30 June 2022, liabilities amounting to KES 13,132,829 had not been paid as detailed below.</p> <table border="1"> <thead> <tr> <th>Programme</th> <th>Account</th> <th>Amount (KES)</th> </tr> </thead> <tbody> <tr> <td>WLP</td> <td>Payables</td> <td>107,883</td> </tr> <tr> <td>GGEP</td> <td>Payables</td> <td>5,509,287</td> </tr> <tr> <td>Covid-19</td> <td>Payables</td> <td>7,515,659</td> </tr> <tr> <td>Total</td> <td></td> <td>13,132,829</td> </tr> </tbody> </table>										Programme	Account	Amount (KES)	WLP	Payables	107,883	GGEP	Payables	5,509,287	Covid-19	Payables	7,515,659	Total		13,132,829
Programme	Account	Amount (KES)																						
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Total		13,132,829																						



Mr. Willis Ombai
Chief Executive Officer

Date 31st January 2024

APPENDIX II: PROJECTS IMPLEMENTED BY WATER SECTOR TRUST FUND, FUNDED BY DEVELOPMENT PARTNERS AND THE GOVERNMENT

Project title	Project Number	Donor	Period/ duration (Year)	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Up-scaling of Basic Sanitation for the Urban Poor (UBSUP)	1109104900	Development Bank of Germany (KfW) and Bill Malinda Gate Foundation	13	942	Yes	Yes
Water Sector Development (Support WSTF)	1109100900	Development Bank of Germany (KfW)	8	1,234	Yes	Yes
Kenya Urban Water and Sanitation OBA Project	1109101900	World Bank	7	1,185	Yes	Yes
Water Supply and Sanitation for the Urban Poor -KfW-Phase IV	1109105000	German Development Bank-KfW	4	1,265	Yes	Yes
Ending drought Emergencies Support to drought Risk Management	1109112300	European Union	8	2,200	Yes	Yes
Water and Sanitation Programme (PIF)		Government of Finland	6	2,800	Yes	Yes
Sustainable Management and Access to Water and Sanitation in the ASALS		Royal Danish Embassy-DANIDA	5	1,210	Yes	Yes

APPENDIX III: STATUS OF PROJECTS COMPLETION

	Project	Total programme Cost (KES)	Total expended to date (KES '000)	Completion % to date	Budget (KES '000)	Actual (KES '000)	Sources of funds
1	1109104900 Up-scaling of Basic Sanitation for the Urban Poor (UBSUP)	1,242	945	97%	1,242	1,205	Development Bank of Germany (KfW) and Bill Malinda Gate Foundation
2	1109100900 Water Sector Development (Support WSTF)	1,707	1,365	90%	1,707	1,519	Development Bank of Germany (KfW)
4	1109105100 Support to Equitable Access to quality water/J6P	1,143	915	100%	1,143	1,109	Government of Sweden
5	1109100300 Support to the Water Resources Management and Water Service Provision	920	740	100%	920	856	Government of Finland
6	1109105200 Green growth and employment creation-Access to and management	2,222	1,540.4	90%	2,222	2,000	Royal Danish Embassy-DANIDA
7	1109105000 Water Supply and Sanitation for the Urban Poor -KfW-Phase IV	1,771	376	32%	747	354.2	Development Bank of Germany (KfW)
8	1109112300 Ending drought Emergencies Support to drought Risk Management	2,653	590	37%	2,653	637	European Union
9	1109114201 The Saudi Programme for Drilling of Wells and Rural Development in Africa	600	22	10%	600	48	Government of Kingdom of Saudi Arabia
10	Water and Sanitation Programme (PIF)	3,300	30	0%	3,300	0	Government of Finland
11	1109121400 COVID -19 Response Programme	176	-	100%	176	176	Royal Danish Embassy-DANIDA
12	Sustainable Management and Access to Water and Sanitation in the ASALs (SWASAP)	1,400	130	20%	1,400	154	Royal Danish Embassy-DANIDA

APPENDIX IV – TRANSFERS FROM OTHER GOVERNMENT ENTITIES

The table below shows funds received during the year from the Government of Kenya and Development Partners.

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature:	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others – Accounted /Expensed	
MOWSI	04.08.2022	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	09.09.2022	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	05.10.2022	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	15.11.2022	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	13.12.2022	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	05.01.2023	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	07.02.2023	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	23.03.2023	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	14.04.2023	Recurrent	17,250,000	17,250,000	-	-	-	17,250,000	17,250,000
MOWSI	06.06.2023	Recurrent	13,916,667	13,916,667	-	-	-	13,916,667	13,916,667
MOWSI	26.06.2023	Recurrent	13,916,667	13,916,667	-	-	-	13,916,667	13,916,667
MOWSI	30.06.2023	Recurrent	13,916,666	13,916,666	-	-	-	13,916,666	13,916,666
Sub-total			197,000,000	197,000,000	-	-	-	197,000,000	197,000,000
MOWSI	29.09.2022	Development	52,500,000	52,500,000	-	-	-	52,500,000	52,500,000
MOWSI	30.06.2023	Development	120,000,000	120,000,000	-	-	-	120,000,000	120,000,000
Sub-total			172,500,000	172,500,000	-	-	-	172,500,000	172,500,000
World Bank	13.04.2023	Development	78,727,404	389,799,858	-	225,841,603	-	389,799,858	141,959,261
World Bank	30.06.2023	Development	63,231,857		-	-	-		
Sub-total			141,959,261	389,799,858	-	225,841,603	-	389,799,858	141,959,261
DANIDA -SWASAP	02.03.2023	Development	300,000,000	104,292,347		329,625,974		104,292,347	300,000,000

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Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature:	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others – Accounted /Expensed	
Sub-total			300,000,000	104,292,347	-	329,625,974	-	104,292,347	300,000,000
EU CPIRA	16.09.2022	Development	242,903,400	298,535,979	-	259,008,540	-	298,535,979	500,000,000
EU CPIRA	02.03.2023	Development	257,096,600						
Sub-total			500,000,000	298,535,979	-	259,008,540	-	298,535,979	500,000,000
KfW	31.08.2022	Development	7,717,971	52,338,320		208,126,157		52,338,320	7,717,971
Sub-total			7,717,971	52,338,320	-	208,126,157	-	52,338,320	7,717,971
KfW Phase IV	-	-	-	344,981,212		-		344,981,212	7,717,971
Sub-total			-	344,981,212	-	-	-	344,981,212	7,717,971
IFAD	08.09.2022	Development	54,373,527	182,144,967		32,559,026		182,144,967	116,756,740
IFAD	20.09.2022	Development	38,820,580						
IFAD	29.12.2022	Development	23,562,633						
Sub-total			116,756,740	182,144,967	-	32,559,026	-	182,144,967	116,756,740
Total			1,435,933,972	1,741,592,683	-	1,055,161,300	-	1,741,592,683	1,435,933,972

APPENDIX V: REPORTING OF CLIMATE RELEVANT EXPENDITURES

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
1.0 Upper Tana Natural Resources Management Project(UTaNRMP)	The UTaNRMP programme supports Water Resources Users Associations (WRUAs) and Community Forest Associations (CFAs) in implementing conservation activities with the aim of contributing to rural poverty reduction in the Upper Tana Catchment	To enhance sustainable management of water resources and natural resources through the financing of Water Resources Users Associations (WRUAs) and Community Forest Association – (CFAs) activities.	1.0 Financing of WRUAs to implement Catchment Conservation Activities. 2.0 Financing of CFAs to support forest rehabilitation and increase the forest cover.	-	8.0	10.2	18.2	IFAD / GoK at Kshs. 36.4 Million for FY 2021/2022.	WRUAs, CFAs, KFS (Kenya Forest Service), UTaNRMP CPCs (County Project Coordinators).
2.0 Ending Drought Emergencies: Climate Proofed Infrastructure Programme (EDE-CPIRA)	Ending Drought Emergencies: Climate Proofed Infrastructure for Improved Water Supply and Sanitation in the Arid and Semi -Arid Land (ASAL) areas.	Sustainable management of Water Resources in ASALs is improved	Financing of WRUAs to undertake catchment conservation activities and implement climate proofed water resources infrastructure projects	-	5.34	8.5	9.5	European Union/GoK at Kshs. 23.34 Million for FY 2021/2022.	WRUAs/WSPs (Water Service Providers)
3.0 Green Growth Employment Programme (GGEP)	The Green Growth and Employment Programme (GGEP) is to support access to and management of water resources in the Arid and Semi-Arid Lands.	Sustainable and community-based management of water resources improved	1.0 Financing of WRUAs to undertake catchment conservation and water resource protection activities. 2.0 Financing of Conservancies to undertake Water Resource Management Activities	3.0	2.93	-	-	DANIDA/GoK at Ksh.5.934 Million for FY 2021/2022	WRUAs/ Conservancies/Northern Rangeland Trust (NRT)