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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
WATER RESOURCES AUTHORITY**

**FOR THE YEAR  
ENDED 30 JUNE 2018**





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WATER RESOURCES AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2018

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



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## **KEY WRA INFORMATION AND MANAGEMENT**

### **(a) Background information**

The **Water Resources Management Authority (WRMA)** was established as a body corporate under the Water Act, 2002. WRMA has been in existence since 2005 following its establishment.

In order to harmonize functions and mandates as contemplated under the Constitution of Kenya, 2010, the Water Act, 2016 was developed and operationalized. **Water Resources Authority (WRA)** is established under Section 11 of the Water Act, 2016. Pursuant to the 2016 Act, the Authority is an agent of the National Government responsible for regulating the management and use of water resources. WRA was operationalized on 21<sup>st</sup> of April, 2017 vide Gazette Notice No. 59.

Section 148 of the Water Act, 2016 provides for the transition of Water Resources Management Authority into the Water Resources Authority (WRA); a transition period of three years is contemplated under the Act to facilitate this process.

At cabinet level, Water Resources Authority is represented by the Cabinet Secretary for the Ministry of water and irrigation, who is responsible for the general policy and strategic direction of the Authority.

### **(b) Principal Activities**

The principal activity/mission of the Authority is to regulate and manage water resources in collaboration with Stakeholders for sustainable development

#### **Our Vision**

To be a global leader in Water Resources Regulation and Management

### **(c) Key Management**

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

- The Governing Board and its Committees
- The Chief Executive Officer and Management: operates through the Regional Offices established in the six Catchment Basins, namely: Athi, Ewaso Ngiro, Lake Victoria South, Lake Victoria North, Rift Valley and Tana Catchment Areas. In addition, we have delineated the six catchment areas into 26 sub-catchment areas which operate as sub-regional offices nationally. The operations of the Authority in the Regions and Sub-Regions are anchored on the Strategic Plan. The Authority partners/collaborates with key stakeholders in integrated water resource management activities to deliver its mandate to the public

#### (d) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive officer	Mohammed Moulid. Shurie
2.	Finance and Administration Manager	Protus W.Salasya
3.	Technical Coordination Manager	Boniface M Mwaniki

#### (e) Fiduciary Oversight Arrangements

##### Finance committee

The Committee reviews quarterly financial, human resource and procurement reports and recommends to the Board ways of raising and utilizing the Authority's funds and human resources and the establishment of systems and procedures for efficient financial management.

The Committee advises the Board on Water Resources Authority's human resource policies and guidelines which include the scheme of establishment and career progression and terms and conditions of service for the staff of the Authority.

##### Audit committee

Final management reports are submitted to the board audit and finance committee having been verified by the Authority's head of Internal Audit.

The scope of this Committee includes risk management, as well as compliance with the regulatory requirements. The Audit Committee broadly oversees Water Resources Authority's standards of integrity and behaviour, reporting of financial information and internal control systems.

### **Parliamentary Committee activities**

Final management reports submitted to parliamentary investment committee of environment and natural resources who assesses and justifies the budget ally requirement before presentation to the

### **Development Partner oversight activities**

Resource Mobilisation Committee is charged with the responsibility of providing strategic directions as to funding of Water Resources Authority's activities and advice to the Board on Water Resources Authority's revenue and fund raising, activities and forecasting the same in line with Water Resources Authority's statutory mandate. Finally they give a no objection for all key procurement requirements

### **Water situation Report**

Every year water situation report and performance report are disseminated to the public for purposes of their information and feedback

### **Key Entity Information**

#### **(f)WRA Headquarters**

Water Resources Authority  
NHIF Building, 9th & 10th Floors.  
Ragati Road  
P. O. Box 45250-00100  
Nairobi, Kenya

#### **(g)WRA Contacts**

Tel. 2732291, 2729048/49  
Fax. 2729950  
E-mail: [WRA@WRA.or.ke](mailto:WRA@WRA.or.ke)  
Website: [www.WRA.or.ke](http://www.WRA.or.ke)

#### **(h)WRA Bankers**

1. National Bank of Kenya  
Hill Branch  
P.O. Box 45219-00100  
Nairobi, Kenya
2. Kenya Commercial Bank  
Moi Avenue Branch  
P.O. Box 48400 - 00100  
Nairobi, Kenya

3. Cooperative Bank of Kenya  
Nairobi Business Centre  
P.O. Box 19555-00202  
Nairobi, Kenya
4. Equity Bank  
Community Branch  
P.O. Box 75104-00100  
Nairobi, Kenya
5. Barclays Bank of Kenya  
Wetlands branch  
P.O Box 14403-00800  
Nairobi, Kenya

**(i)Independent Auditors**

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





**(j)Principal Legal Adviser**

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

**Lawyers**

1. Prof. Albert Mumma & Company Advocates  
5<sup>th</sup> avenue office suites  
5<sup>th</sup> floor suite no. 1  
5<sup>th</sup> Ngong Avenue  
P.O Box 10481 – 00100  
Nairobi, Kenya
2. Garane &Associations Advocates  
P.O Box 20617-00100  
Nairobi  
Hughes Building  
4<sup>th</sup> Floor Kenyatta Avenue  
  
0205100194/2631541  
Info@garane advocates.com




**THE BOARD OF DIRECTORS**

1.		<p><b>Mr. Francis Mboya Mutua</b></p> <p>DOB: 1960</p> <p>An advocate of the High Court of Kenya with over 20 years of experience. He specializes in civil commercial litigation. He holds a Bachelor of Laws Degree (LL.B) and a Post-Graduate Diploma in law.</p> <p>Chairperson of the Board finance &amp; support services committee. He has also been appointed by the Board as the acting Chairman of the board pending appointment of a substantive chairman.</p>
2.		<p><b>Mr. Mohamed M. Shurie</b></p> <p>DOB: 08/12/1962</p> <p>Chief Executive Officer is the accounting officer of the Authority and an <i>ex officio</i> member of the Board.</p> <p>BSC Phy/Math, BSC Geology, MBA Executive, with over 25 years experience in the public service</p>
3.		<p><b>Hon. Lawrence Nginyo Kariuki</b></p> <p>DOB: 1938</p> <p>Hon. Nginyo Kariuki is a Businessman.</p>
4.		<p><b>Hon. Saulo Wanambisi Busolo</b></p> <p>DOB 23/11/1958</p> <p>Holder of M.A in political science and public administration</p> <p>Chairperson Technical Committee</p>

5.		<p><b>Mr. Yahya Ali Borrow</b></p> <p>DOB: 1974</p> <p>Holder of BA Community Development. A social scientist with a passion for community development</p> <p>Has a vast experience in community mobilization and support.</p>
6.		<p><b>Ms. Sylvia Chidodo Leli</b></p> <p>DOB: 20/07/1977</p> <p>Holder of MA International Relations</p> <p>A Social scientist with more than 10 years' experience in the Public Sector.</p> <p>Chairperson Resource Mobilization Committee</p>
7.		<p><b>Mr. Moses K. Kanagi</b></p> <p>C. S. representative, the National Treasury</p> <p>An Economist with over 20 years' experience in Public Sector</p>
8.		<p><b>Mr. Jeremiah Munayi</b></p> <p>P.S. Representative, State Department of Environment and Natural Resources. Ministry of Environment and Natural Resources</p> <p>Mr. Munayi is an Economist and experienced public servant of many years</p>

9.		<p><b>Ms. Gladys Wekesa</b></p> <p>DOB: 01/01/1972</p> <p>P.S. Representative State Department of Water</p> <p>A career Researcher and experienced public servant in Water Sector</p>
10.		<p><b>Ms. Agnes Nailantei Shonko</b></p> <p>DOB: 24/12/1970</p> <p>Holds a degree in Bachelor of Education (Arts) and is the Chairperson of the Board Audit &amp; Risk Committee</p>
11.		<p><b>Mr. David Gichuhi</b></p> <p>Representative Inspector General of State Corporations</p> <p>Career Administrator specifically bringing in oversight roles of Inspector General</p>
12.		<p><b>Ms. Janet Olewe</b></p> <p>Chief Legal Officer/Company Secretary</p> <p>An advocate of the High Court of Kenya with 9 years post-admission experience in the practice of law. She holds a Bachelor of Laws Degree and a Post-Graduate Diploma in Law.</p>

MANAGEMENT TEAM

1.		<p><b>Mr. Mohamed M. Shurie</b></p> <p>Chief Executive Officer and an <i>ex officio member of the Board.</i></p> <p>BSC Phy/Math, BSC Geology, MBA Executive, with over 25 years experience in the public service</p>
2.		<p><b>Mr. Protus W. Salasya</b></p> <p>Finance and Administration Manager.</p> <p>BBAM (Finance) with experience of over 25 years in the public service</p>
3.		<p><b>Eng. Boniface M. Mwaniki</b></p> <p>Technical Manager</p> <p>BSC. Agri-Engineering and MA in Project Planning and Management with over 25 years of experience in public service.</p>

4.



**Ms. Janet Olewe**

**Chief Legal Officer/Company Secretary**

An advocate of the High Court of Kenya with 9 years' experience in the practice of law. She holds a Bachelor of Laws Degree (LL.B) and a Post-Graduate Diploma from the Kenya School of Law.

## **CHAIRMAN'S STATEMENT**

### **Foreword**

It is with great pleasure that I present Water Resources Authority's financial Report and Financial Statement for the year ending 30<sup>th</sup> June, 2018.

The Authority had a good performance despite the many challenges that came our way. We recorded an operating surplus in our results for the current period compared to the previous period when a deficit was posted. This was achieved despite limited budgetary allocation from the Government.

### **Corporate Performance**

During the period; Water Resources Authority was able to make the following achievements;

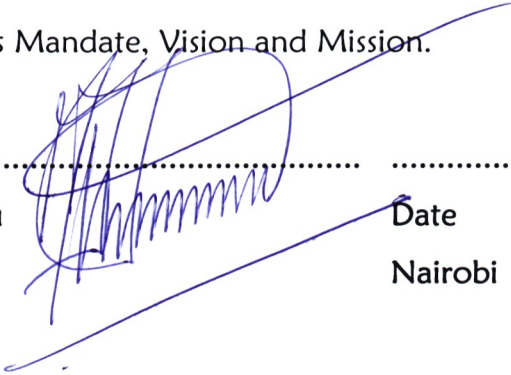
- a) Commenced implementation of seven (7no.) capital projects and programmes, namely; Athi Restoration Programme, Drilling of Exploratory Boreholes in Turkana, Marsabit, Garissa, Wajir and Mandera Counties, Implementation of Sub-Catchment Management Plans (SCMPs), Construction/Rehabilitation of Water Monitoring Stations, Water Abstraction and Pollution Surveys, Kikuyu Springs Groundwater Conservation and Lamu Groundwater Conservation
- b) Undertook a review and evaluation of the status of implementation of the Strategic Plan for the period 2012-2017.
- c) Recognitions of authority's performance in implementation of presidential commitments and circulars which fed into president's state of the nation address
- d) Developed self-declaration forms for senior managers which were filled and submitted to the EACC for vetting
- e) The Authority also enhanced revenue collection by adopting internet and mobile banking through Mpesa platform this came along with a developed ICT policy which the Authority has implemented to enhance in the sharing of information.

The Authority is carrying out its mandate as set out in the Water Act 2016 and the Water Resources Management Rules, 2007 and I am pleased to report that we are on track towards achieving the targets we set out for this financial year.

**Appreciation**

I would like to extend my appreciation to the management, staff and our various partners for their dedicated service and execution of the Water Resources Authority's strategies towards achieving its Mandate, Vision and Mission.

.....  
Hon. Joe Mutambu  
Chairman



.....  
Date  
Nairobi

12.03.2019

## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

The Constitution of Kenya, 2010 guarantees the right of every Kenyan to a clean and healthy environment, with the resultant expectations which have increased consciousness of the population of these rights. The Authority, as the principal instrument of Government in regulating the implementation of policies relating to water resources management, has faced increased demands to ensure proper catchment conservation and management of the water resources in the country.

The Authority has continued to undertake this mandate and achieved remarkable results despite a number of challenges faced.

### **Revenue**

The Authority put in place measures to ensure financial sustainability in its operations. The allocations received from the exchequer have been low over the years. This has put pressure on the Authority also to improve on revenue collection to sustain its operations which is still not enough.

During the period ended 30<sup>th</sup> June 2018 the Authority was able to collect cumulatively KES 726M as internally generated funds (AIA). The Management intends to intensify efforts and improve on the level of these revenue collections in future in order to reduce the current financing gap.

### **Expenses**

The Authority's expenses were cumulatively KES 1.569b of which staff costs salaries and other remunerations still remains the major cost component accounting for 55% of the total expenses.

### **Innovation**

The Authority believes in continuous innovation in improving service delivery to its stakeholders. The Authority has embraced the use of Information Communication Technology (ICT) in the provision of services. As of end of the quarter under review, the Authority had configured FTP server to enable online submission of databases for surface water, ground water, water quality and climate data (i.e. data on precipitation, temperature and humidity)

### **Education and awareness creation**

One of the powers of the Authority is to educate the population and create awareness on matters relating to water resources management in the country. This is done by engaging several stakeholders in diverse sectors of the economy, undertaking awareness activities, and meeting the general public. The following activities were undertaken:-

- Hosted Athi Catchment forum which involved stakeholders of the region to create awareness on the need to conserve Athi Catchment Area
- Initiated the gazettement process of Lamu groundwater entailing review of grants and dispositions in land within the Lamu Groundwater conservation area with a view to conserve Lamu sand dunes .
- Held an Athi River interagency workshop to raise awareness amongst stakeholders about the current status of Athi river basin

### **Partnerships**

Through the period under review the Authority had the following development partners continue supporting its mandate:

- JICA worked with the Authority on flood management and mitigation activities
- IWRAP project and Mamase in Naivasha and Kericho SROs respectively assisting WRUAs to implement their Sub Catchment Management Plans
- World Bank funding Kenya Water Security and Climate Resilience project
- GIZ worked with the Authority on matters pertaining institutional development

The board also submitted over 20 proposals to development partner's to fund development activities.

### **Employee relations**

The Human Resource compliment in Water Resources Authority continues to play a critical role in the achievement of the organizational goals as stipulated in the Strategic Plan.

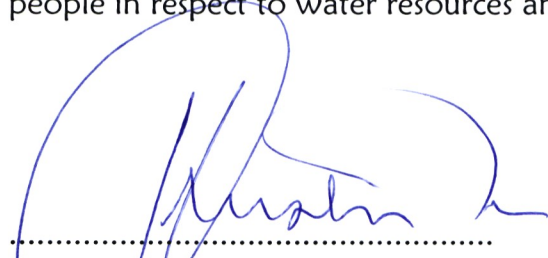
The Authority believes in the best skills for best performance. It has therefore continuously improved staff development. During the period under review a number of staffs were trained on groundwater database amongst other courses.

### **Commitment to quality**

During the period under review the Authority maintained its ISO 9001:2008 certification. The Authority is committed to implementing the Quality Management System to ensure a clean, healthy, secure and sustainably managed environment for all by: Complying with the requirements of ISO 9001: 2008 Quality Management Systems, and ensuring that the quality policy is communicated effectively and understood within the organization and periodically reviewed for continued suitability. We are committed to the continual improvement of Quality Management System (QMS) processes and are in the process of transiting to ISO 9001:2015. The top management has already been sensitized on this while the surveillance audit for the period was undertaken during this financial year.

### **Conclusion**

I wish to take this opportunity to thank the Chairman and the Governing Board for their support throughout this period. I am also grateful to our parent Ministry of Water and Irrigation, our development partners and to all our stakeholders for their unwavering trust, support and partnership towards the execution of the Authority's mandate. And to the staff and management, I am indeed honoured to be a part of the Water Resources Authority team, the challenges which were with us especially salaries and, non-remittance of staff deductions have been resolved. I believe that with your continued support and commitment, we shall be able to deliver our services more efficiently and effectively to impact more people in respect to water resources and environmental management services.



.....  
**Mohamed M. Shurie**  
**Chief Executive Officer.**

12/3/19  
.....  
**Date**

## **CORPORATE GOVERNANCE STATEMENT**

### **Establishment and composition of the board:**

The powers and functions of the Authority are exercised and performed under the direction of the Governing Board which consists of a chairman appointed by the President and ten members appointed by the Cabinet Secretary. The State Corporations Advisory Committee (SCAC) is mandated by law to advise the Government on all matters pertaining to the general administration of State Corporations. Section 15(1) of the State Corporations Act Cap. 446 gives Boards of Directors the responsibility for management of the affairs of State Corporations. In this regard the Board is accountable for the moneys, financial business and the management of the Authority.

The current Governing Board of the Authority was appointed pursuant to the provisions of the Water Act, 2002 for a term of three years with effect from 2nd October, 2015. A representative of The National Treasury sits in all Boards of State Corporations as the shareholders while the parent ministry as the policy development & oversight body. The Board Chairman is non-executive as is all other Board Directors. The Board is accountable for the management of the Corporation. . The Chief Executive Officer is an ex officio member of the Board and has no voting rights. The Authority's Board consists of 11 members out of whom 3 are female.

Pursuant to the Water Act, 2016, the Board of the Water Resources Authority should consist of a Chairman appointed by the President, four members appointed by the Cabinet Secretary responsible for matters relating to water and representatives from various oversight offices, namely:

- a). The Principal Secretary responsible for matters relating to finance or his representative;
- b). The Principal Secretary responsible for matters relating to water or his representative;
- c). The Principal Secretary responsible for matters relating to environment or his representative;
- d). The Principal Secretary responsible for matters relating to land or his representative

The day-to-day running of the operations of the Authority is delegated to the Chief Executive Officer but the Board is responsible for establishing and maintaining the Authority's system of internal controls for the realization of the Authority's mandate.

All members of the Board are taken through a comprehensive induction programme and adequately trained on their roles through various corporate governance trainings. The Directors are professional, committed and guided by the mission, vision and core values of the Authority in the execution of their duties. At the end of each financial year, the Board, its Committees, individual directors and the Chief Executive Officer are evaluated by SCAC against targets agreed to at the beginning of the year.

#### **Board Committees:**

The Board is assisted in its work by Board Committees attending to specific matters. The Committees report to and remain accountable to the Board for all their activities. The Board Committees' main function is to reinforce the wholeness of the Board's responsibility.

The Board has four standing committees which meet at least once per quarter and work under the terms of reference set by the Governing Board.

#### **Finance and Support Services Committee**

The primary responsibility of Finance and Support Services Committee is to provide advice to the Board on Water Resources Authority's financial and human resource management, performance and their financial implications.

The Committee reviews quarterly financial, human resource and procurement reports and recommends to the Board ways of raising and utilizing the Authority's funds and human resources and the establishment of systems and procedures for efficient financial management.

The Committee advises the Board on Water Resources Authority's human resource policies and guidelines which include the scheme of establishment and career progression and terms and conditions of service for the staff of the Authority.

### **Audit Committee**

The scope of this Committee includes risk management, as well as compliance with the regulatory requirements. The Audit Committee broadly oversees Water Resources Authority's standards of integrity and behaviour, reporting of financial information and internal control systems.

### **Resource Mobilisation Committee**

Resource Mobilisation Committee is charged with the responsibility of providing strategic directions as to funding of Water Resources Authority's activities and advice to the Board on Water Resources Authority's revenue and fund raising, activities and forecasting the same in line with Water Resources Authority's statutory mandate.

### **Technical committee**

This Committee reviews and makes recommendations to the Board on compliance and enforcement policies. The Committee also advises on legislative issues and other measures for the management of the water resources management and their implementation.

### **The Role of the Governing Board**

As guided by the Water Act, 2016, the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Board's functions are as follows:

- i.) Administer the assets of the Authority in such manner as best promotes the purpose for which the Authority is established;
- ii.) ensure protection, where necessary, of the assets and developments of the Authority;
- iii.) determine the provisions to be made for capital and recurrent expenditure and for the reserves of the Authority;
- iv.) receive any grants, gifts, donations or endowments and make legitimate disbursements there from;
- v.) invest any funds of the Authority not immediately required for its purposes;
- vi.) delegate any of its powers; and
- vii.) Undertake any activity necessary for the fulfillment of any of the functions of the Authority.
- viii.) invest any funds of the Authority not immediately required for its purposes;

- ix.) delegate any of its powers; and
- x.) Undertake any activity necessary for the fulfillment of any of the functions of the Authority.

### **Evaluation**

The performance of the Board is a fundamental component of the Water Resources Authority's success. A corporate governance evaluation of performance for the period 2016/2017 was undertaken in June 2018 in order to have a formal and rigorous review of the entire Board as a collective unit and that of individual directors. The purpose of the evaluation was to acknowledge strengths and achievements and to recognize areas that needed improvement to enhance effectiveness and efficiency. The evaluation inspired Directors to improve in the application of their roles and responsibilities and to ensure that they are on track. The results of the evaluation were useful in putting in place a plan of action to improve effectiveness of each director and that of the Board as a collective unit.

### **Director's remuneration**

In accordance with guidelines provided in the State Corporations Act, the Directors are paid taxable sitting allowance for every meeting attended, as well as travel and accommodation allowance while on the Authority's duty.

### **Statement of Compliance**

The Board of Directors confirms that Water Resources Authority has throughout the period ending 30<sup>th</sup> June 2018 complied with the Statutory and Regulatory requirements and that the Authority has been managed in accordance with the principles of Corporate Governance.

**Internal control and risk management:**

**Internal Control**

The Directors are responsible for reviewing the effectiveness of the Authority'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 which may reasonably be foreseen and can only provide reasonable and not absolute assurance against material misstatement or loss.

**Standing Instructions**

The Authority has a Code of Ethics and Service Charter that is applicable to all employees. These are two of a number of Standing Instructions to employees of the Authority designed to enhance internal control. The Authority has also designed a set of standing instructions to be followed in the management of various functions in the organization.

**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 the Authority can meet its future management requirements.

**Strategic Plan**

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

year. Progress against the plan is monitored on a quarterly and annual basis. The Authority's Strategic Plan expired in June 2017 and the process of developing a new one is under way.

### **Internal Control Framework**

The Authority 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 on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Authority, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action.

### **Risk Management**

The Authority has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. The Management team reviews all the risks in the Authority 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 Committee to assist the Board in the management of risk.

### **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. The action plans for the year include the Annual Work Plan, Annual Budget Estimates, Annual Procurement Plan, Annual Performance Contract, among others.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Authority's principal mandate is to work as the Lead Agency in the management of water resources in the whole country.

### **KEY PROJECTS**

During the period; Water Resources Authority has been able to undertake the following projects in line with its mandate;

#### **a) Athi River Restoration Programme**

In a bid to rehabilitate, restore and sustainably manage water resources within the Athi River basin, which includes Nairobi River and its tributaries, WRA developed the Athi River Restoration Programme (ARRP) which is a capital project planned to be implemented in five years at an estimated cost of Kenya Shillings 2.5 billion.

Water Resources Authority (WRA) in conjunction with the Ministry of Water and Irrigation developed the Athi River Restoration Programme in 2015 with the aim of rehabilitating, restoring and sustainably managing water resources within the Athi River basin. This programme led to the creation of the Nairobi River Basin Rehabilitation & Restoration Programme as pilot project for the ARRP.

The Athi River Restoration Programme (ARRP) currently being undertaken by WRA, and the Ministry of Water and Irrigation as a capital Project.

#### **b) Lamu Ground Water Conservation**

The fresh water reserves in Lamu are under threat. Since the declaration of Lamu town as a heritage site, it has attracted a lot of interest from foreigners who are much aware of the developmental potential of the island than the locals. Increased establishment and development of the beach resorts, together with rampant population has also reduced the catchment size hence effective fresh water recharge.

Lamu groundwater conservation is currently being undertaken by WRA, and the Ministry of Water and Irrigation as a capital Project

The encroachment of the water catchment area and the threatened sand dunes in Amu led to a public outcry from environmental groups and other stakeholders in Lamu such as the Council of Elders, Lamu Kaa Chonjo group and others.

This caught the attention of WRA and the National Museums of Kenya, in recognition of the mandate of the two institutions as stipulated in the Water Act 2002 and National Museums and Heritage Act 2006. An alliance was forged to conserve and protect the Sand dunes by signing of an MOU to collaborate in the Gazettement and thus the conservation and protection of the Lamu Water catchment Area .

#### **c) Kikuyu springs groundwater conservation**

One of the key functions of WRA is to "Improve the Protection of Water Resources within the country". It is based on this core function that WRA identifies and conserves the groundwater resources which are under threat and among them is the Kikuyu Springs Aquifer, which is a significant public water source in the northwest Nairobi area and hence vital for the capital city's water supply

Kikuyu springs groundwater conservation is a project currently being undertaken by WRA, and the Ministry of Water and Irrigation as a capital Project

- d) Drill of Exploratory B/H for Turkana, Marsabit, Garissa, Wajir
- e) Implementation of SCMPs
- f) Construction of Rehab of WRM Stations
- g) Water Abstraction and Pollution Control Surveys

#### **Achievements;**

##### **1. Cost cutting**

The management has been able to undertake cost reductions by focusing on only necessary and essential expenses that will ensure the achievement of WRA mandate.

##### **2. Compliance to statutory requirements**

For the last period, all statutory obligations were complied with. All statutory deductions from staff and vendors dues accrued during the period were remitted on a timely basis.

#### **Major risks facing the organization**

- Operational risk- staff turnover and retirement of staff change of technology leading to data loss and lack of insurance of ICT equipment
- Finance risk- this has been due to limited resources/ funding from our parent ministry of water and irrigations
- Credit risks –political interference i.e. governors encroaching our mandate

#### **Material arrears in statutory Requirements**

The Authority has an outstanding amount of Kshs Kshs 1,364,754,214 from KRA as PAYE, VAT and Kshs 562M as pension contribution and ukulima sacco deductions

These arrears are still outstanding and we have engaged our parent ministry to help the Authority in settling the outstanding bills as stated above.

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

Social and environmental responsibilities are an integral part of the Authority's practices. The Authority partners with key stakeholders in integrated water resource management activities to deliver its mandate to the public.

We have over the years strived to mainstream environmental conservation in the development of the country so as to ensure the sustainable development of the country. In order to attain this, we have mainstreamed environmental sustainability in the performance contracts of all government institutions. Water Resources Authority works with the communities in the area of catchment protection by undertaking community based livelihoods projects through the WRUAs and also provision of support to alternative livelihood to communities inhabiting catchment areas. This is done largely at the Authority's cost.

WRA undertook the following CSR initiatives during the period under review

- 10,000L Water Tank Donated to Mwasere Girls High School
- Provided 4000 seedlings to KFS the for #pandamitipendakenya campaign.
- Promoting ground water conservation of the recharge areas
- Participated at a Charity Golf Tournament for the Friends of Ruiru Dam (FORD)

### **1. 10,000L Water Tank Donated to Mwasere Girls High School**

World Water Day celebrations were held at Mwasere Girls Secondary school in Voi County. WRA donated and facilitated the installation of a 10,000 litre water tank to the School and area residents in a bid to sensitize the public on ways to exploit nature based solutions through rain water harvesting and storage.



2. 4000 seedlings donated to KFS for the #pandamitipendakenya campaign

The President launched the National tree planting Day on 12th May 2018 at the Moi Forces Academy. WRA donated 4000 seedlings towards the panda miti penda Kenya campaign. During the President's speech, he mentioned that all Parastatals should use at least 10% of their resources towards environmental conservation.



### 3. Charity Golf Tournament for the Friends of Ruiru Dam (FORD)

WRA participated and supported the Friends Of Ruiru Dam charity golf tournament, The tournament was geared towards raising awareness of the conservation efforts FORD /WRA is undertaking around the Ruiru Dam



**4. Promoting ground water conservation of the recharge areas**

In bid to promote ground water conservation of the recharge areas, the Authority has among other initiatives initiated a 15,000 tree planting initiative along Bathi River, its tributaries and in institutions around the area. WRA also donated a roof water harvesting tanks at Kabarage and Kamahia schools.





## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the financial statements for the year ended 30<sup>th</sup>, June 2018 which shows the state of Water Resources Authority.

### **Principal activities**

The principal activities of the Authority are to regulate and manage water resources in collaboration with Stakeholders for sustainable development.

### **Results**

The results of the Authority for the year ending June 30<sup>th</sup>, 2018 are set out on page 1 and the Authority had a deficit of KES 27.9M compared to last year's financial performance of a deficit of KES 99M. This can be attributed to great austerity measures put in place by management.


### **Directors**

The members of the Board of Directors who served during the period and to the date of this report are shown on page (vi-viii)

### **Auditors**

The Auditor-General, is responsible for the statutory audit of the Authority in accordance with article 229 of the constitution of Kenya and the Public Audit Act, 2015

For and On behalf of Board of Directors



Ms. Janet Olewe

Chief Legal Officer/Company Secretary

12<sup>TH</sup> MARCH 2019

Date

NAIROBI

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ending 30<sup>th</sup> June, 2018

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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority'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 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the period ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the

**Water Resources Authority  
Reports and Financial Statements  
For the year ended June 30, 2018**

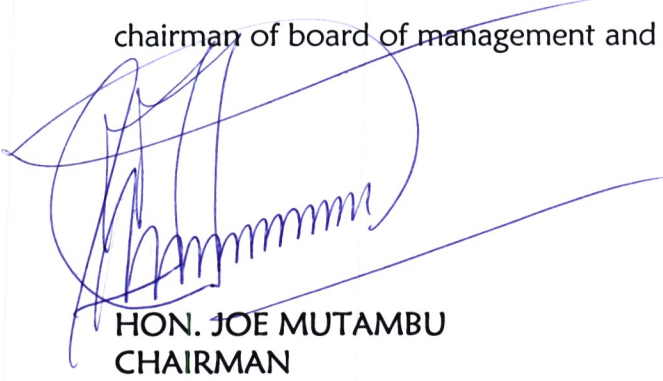
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preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

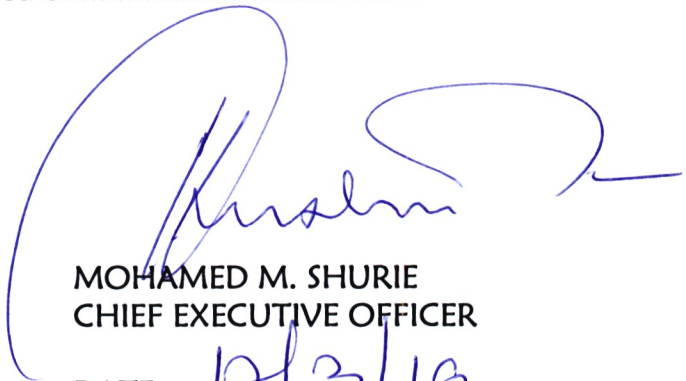
**Approval of the financial statements**

The Authority's financial statements were reviewed by the Chief Executive Officer and chairman of board of management and signed on..... 2019.



**HON. JOE MUTAMBU  
CHAIRMAN**

DATE: 12.03.2019.....



**MOHAMED M. SHURIE  
CHIEF EXECUTIVE OFFICER**

DATE: 12/3/19.....

**MS. GLADYS WEKESA  
DIRECTOR**

DATE: 12/03/2019 *Gawes*.....



# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON WATER RESOURCES AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Water Resources Authority set out on pages 1 to 38, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Water Resources Authority as at 30 June 2018, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016.

#### Basis for Qualified Opinion

##### 1. Property, Plant and Equipment

The property, plant and equipment balance reflects Kshs.337,412,827 as disclosed in note 14. However, as reported in prior years, this does not include an unknown value of twelve (12) parcels of land totaling 24.4709 acres, on which the Authority has constructed buildings and other developments. Further, these parcels of land which are located in various Counties do not have ownership documents, as detailed in the table below:

No.	Land Parcel	Size (Acres)	Location (County)
1	Nanyuki Regional Office	0.2372	Laikipia
2	Machakos Region Office	0.7413	Mackakos
3	Embu Regional Office	9.8842	Embu
4	Muranga Sub-Region	2.2289	Muranga
5	Kerugoya Sub-Region	0.6375	Kirinyaga
6	Kitui Sub-Region	0.4843	Kitui

*Report of the Auditor-General on the Financial Statements of Water Resources Authority for the year ended 30 June 2018*

No.	Land Parcel	Size (Acres)	Location (County)
7	Naivasha Sub-Region	0.3321	Nakuru
8	Kapenguria Sub-Region	0.7413	West Pokot
9	Kisumu Region Office	0.6177	Kisumu
10	Mombasa Sub-Region	8.34	Mombasa
11	Siaya Sub-Region	0.1350	Siaya
12	Nanyuki Sub-Region	0.0914	Laikipia
	<b>Total</b>	<b>24.4709</b>	

In view of the foregoing, it has not been possible to confirm the rightful ownership of these properties, as well as the completeness of property, plant and equipment balance of Kshs.337,412,827 as at 30 June 2018.

## 2. Cash and Cash Equivalents - Long Outstanding Reconciling Items

The cash and cash equivalents balance reflects Kshs.363,887,396 as disclosed in note 16 which include balances held in various Kenya Commercial Bank (KCB) accounts, with reconciling items which have been outstanding for over six (6) months as detailed below:

<b>a) Receipts in Bank statements but not in Cashbook</b>			
S/No.	A/C No.	Bank	Amount (Kshs)
1	1109066295	KCB – Rev - Capital Hill	1,157,579
2	11029622643	KCB – Rev – Embu -Tana	1,305,327
3	11040337513	KCB - Kisumu Branch	2,900,671
4	1106233980	KCB - Rev - Athi - Machakos	12,551,250
		<b>Total</b>	<b>17,914,827</b>
<b>b) Receipts in Cash book but not in Bank Statements</b>			
5	1109066295	KCB – Rev - Capital Hill	79,975
6	11040337513	KCB - Kisumu Branch	1,897,713
7	1106233980	KCB-Rev - Athi - Machakos	4,158,096
		<b>Total</b>	<b>6,135,784</b>
<b>c) Payments in Bank statements but not in Cash Book</b>			
8	1106233980	KCB – Rev - Athi - Machakos	2,015,510
		<b>Total</b>	<b>2,015,510</b>

It is not clear why management has not conducted investigations on the causes of the long outstanding reconciling items and subsequently clear them from the bank reconciliation statements.

Consequently, it has not been possible to confirm that cash and cash equivalents balance of Kshs.363,887,396 as at 30 June 2018 is fairly stated.

### **3. Receivables from Exchange Transactions**

The receivables from exchange transactions balance reflects Kshs.2,294,584,069 as at 30 June 2018 as disclosed in note 17. Included in this balance is Kshs.2,207,962,378 (96%) relating to amounts owed to the Authority by various companies and counties for periods of over nine months and whose recoverability is in doubt. The assessment is that the provision for bad debts of Kshs.254,953,785 is inadequate for the growing long outstanding debt portfolio. Further, management has not adhered to its own debt collection policy which provides that debts should be recovered as and when they fall due and outstanding debts should be stated at nominal value less provisions of 10% and 50% for debts older than 8 and 12 months respectively. According to management, efforts to recover the amounts, including signing Memorandum of Understanding (MoU) with the debtors and court processes have been made. However, the outstanding receivables, out of which 96% have been outstanding for periods of over nine months, are considered significant when compared with the Authority's operations and failure to recover them may adversely affect its operations.

Consequently, it has not been possible to confirm the recoverability of the receivables from exchange transactions of Kshs.2,207,962,378.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Water Resources Authority in accordance with ISSAI 30 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 the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

Key audit matters are those matters which, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in our report.

### **Other Matters**

#### **1. Non-Remittance of Third Party Deductions**

The trade and other payables from exchange transactions balance reflects Kshs.1,228,397,476 as disclosed in note 20 which includes Kshs.1,081,085,840 relating to amounts owed to three institutions as detailed below:

<b>Name</b>	<b>Amount (Kshs)</b>
Water Resources Authority Pension	401,813,315.85
Ukulima Sacco	51,573,037.72
Paymaster General - Commissioner of Domestic Taxes	627,699,486.92
<b>Total</b>	<b>1,081,085,840.49</b>

The above relates to amounts deducted from employees' salaries, for subsequent remission to the respective institutions. These amounts have remained outstanding for durations beyond the stipulated period.

In letter ref. WD/3/3/1405(13) of 27 April 2017, the Principal Secretary undertook to remit Kshs.10 million to Kenya Revenue Authority (KRA) every month until the outstanding amount was fully paid. However, no evidence of remission was availed for audit verification. Further, the Authority has not made any provision for penalties and interest chargeable as a result of failure to remit the deduction to the relevant authorities on time.

## **2. Un-Serviced Long Term Loan**

The financial statements reflect a long term loan of Kshs.379,745,730, as disclosed in note 21. This loan is on-lent from the Government of Kenya out of proceeds of a World Bank (IDA) credit and was earmarked for the Natural Resources Management Project. According to the terms, the loan was to be repaid on various effective dates commencing May 2017. However, the above loan balance includes Kshs.17,133,430 which relates to interest and penalties arising from non-payment of both principal and interest on due dates. According to management, the Authority does not have the capacity to repay the loan due to inadequate funding levels. This loan, which is not being serviced continue to accumulate interest and penalties, and this may result to risk of the Authority being exposed.

## **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, I confirm that, nothing 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**

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 on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance to ISSAI 1315 and 1330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal control, risk management and governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and Those Charged with Governance**

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the management is either aware of any intention to cease operations of the Authority, or have no realistic alternative but to do so.

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 Authority's financial reporting process, reviewing the effectiveness of management's systems for monitoring compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which 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 review is planned and performed to express a conclusion on whether, in all material respects, 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, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which 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 which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Authority's 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:

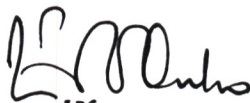
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Authority's ability to continue as a going concern. 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 Authority to cease to continue as a going concern.
- 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 which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**07 May 2019**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018	2016-2017
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Public Contribution and Donations	5	6,697,685	12,331,248
Licenses and Permits	6	63,642,240	48,262,514
Transfer from other Governments and agencies	7	780,488,160	615,460,509
<b>Revenue from exchange transactions</b>			
Sale of water and electricity	8	653,994,982	658,111,729
Other incomes	9	28,070,520	24,883,813
<b>Total revenue</b>		<b>1,532,893,586</b>	<b>1,359,049,813</b>
<b>Expenses</b>			
Employee costs	10	882,527,016	904,489,421
General expenses	12	267,631,813	293,551,971
Water Resources Management Expense	13	314,021,805	149,493,934
Board Expense	11	17,535,751	26,980,736
Depreciations and Amortization Expense	14&15	67,062,212	78,588,413
Finance cost	21	12,087,076	5,046,354
<b>Total expenses</b>		<b>1,560,865,673</b>	<b>1,458,150,829</b>
<b>Surplus /(deficit ) for the period</b>		<b>(27,972,086)</b>	<b>(99,101,016)</b>


The notes set out on pages 7 to 29 forms an integral part of these Financial Statements


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	363,887,396	322,058,710
Receivables from exchange transactions	17	2,294,584,069	2,207,962,378
Receivables from non-exchange transactions	18	13,914,635	24,073,664
<b>Total Current Assets</b>		<b>2,672,386,100</b>	<b>2,554,094,752</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	14	337,412,827	382,383,733
Intangible assets-software	15	22,962,790	32,037,427
<b>Total Non-Current Assets</b>		<b>360,375,617</b>	<b>414,421,159</b>
<b>Total Assets</b>		<b>3,032,761,717</b>	<b>2,968,515,911</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Customer deposits- UnReceipted	19	0	6,781,702
Trade and other payables from exchange transactions	20	1,228,397,476	1,205,309,422
Deferred income	24	294,628,802	230,518,714
<b>Total Current Liabilities</b>		<b>1,523,026,278</b>	<b>1,442,609,838</b>
<b>Non-current liabilities</b>			
Long Term Loan	21	379,745,730	367,658,654
<b>Total Liabilities</b>		<b>1,905,772,008</b>	<b>1,810,268,492</b>
<b>General Fund</b>			
Capital Funds	22	123,717,772	123,717,772
Revenue Reserves	23	1,006,271,937	1,034,529,648
<b>Total General Funds</b>		<b>1,129,989,709</b>	<b>1,158,247,420</b>
<b>Total Liabilities and General Funds</b>		<b>3,032,761,717</b>	<b>2,968,515,912</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

  
 Chief Executive Officer  
 Mohamed M. Shurie

  
 Head of Finance  
 Elizabeth Nzioka  
 ICPAK Member Number: 12992

  
 Chairman, Governing Board  
 Hon Joe Mutambu

Date.....12/3/19

Date.....12/03/019

Date.....12.03.2019

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Capital Funds</b>	<b>Revenue Reserves</b>	<b>TOTAL</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Balance 01.07.2016</b>	<b>98,608,067</b>	<b>1,138,888,431</b>	<b>1,237,496,498</b>
Adjustments in Reserves	25,109,705	(5,257,767)	19,851,938
Deficit for the year	-	(99,101,016)	(99,101,016)
<b>Balances 30.06.2017</b>	<b>123,717,772</b>	<b>1,034,529,648</b>	<b>1,158,247,420</b>
Balance 01.07.2017	123,717,772	1,034,529,648	1,158,247,420
Adjustments in Reserves	-	(285,625)	(285,625)
Deficit for the period	-	(27,972,086)	(27,972,086)
<b>Balance as at 30 JUNE 2018</b>	<b>123,717,772</b>	<b>1,006,271,937</b>	<b>1,129,740,839</b>

**STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018**

		2017-2018	2016-2017
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	5	6,697,685	12,331,248
Licenses and permits	6	63,642,240	48,262,514
Transfer from other governments	7	780,488,160	615,460,509
Sale of water and Electricity	8	653,994,982	658,111,729
Other Income	9	28,070,520	24,883,813
<b>Total Receipts</b>		<b>1,532,893,586</b>	<b>1,359,049,813</b>
<b>Payments</b>			
Employee Costs	10	882,527,016	904,489,421
General Expenses	12	267,631,813	293,551,971
Water Resources Management Expenses	13	314,021,805	149,493,934
Board Expenses	11	17,535,751	26,980,736
<b>Total payments</b>		<b>1,481,716,384</b>	<b>1,374,516,061</b>
<b>Net Cash generated from/(used in) Operating Activities</b>		<b>51,177,202</b>	<b>15,466,244</b>
<b>Adjusted for Changes in working capital</b>			
(Increase)/Decrease in Debtors	17	(86,621,691)	(56,557,453)
Increase/(decrease) in prepayments	18	10,159,030	(17,345,522)
Increase/(Decrease) in Payables	20	23,088,054	159,262,678
Increase/(Decrease) in Payables- Deferred income	24	64,110,088	230,518,714
Increase/(decrease) in accounts payables	19	(6,781,702)	(19,218,723)
<b>Net changes in working capital items</b>		<b>3,953,778</b>	<b>296,659,695</b>
<b>Net Cash flows from Operating activities</b>		<b>55,130,981</b>	<b>281,193,446</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE and intangible assets	14	(13,016,669)	(27,100,265)
<b>Net cash flows used in investing activities</b>		<b>(13,016,669)</b>	<b>(27,100,265)</b>
<b>Cash flows from financing activities</b>			
Adjustments in reserves		(285,625)	19,851,938
<b>Net cash flows used in financing activities</b>		<b>(285,625)</b>	<b>19,851,938</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>		<b>41,828,687</b>	<b>273,945,119</b>
Cash and cash equivalents at 1 <sup>st</sup> July	16	322,058,710	48,113,591
<b>Cash and cash equivalents at 30 JUNE 2018</b>		<b>363,887,397</b>	<b>322,058,710</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Explanation
	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	2017-2018 Kshs	
<b>Revenue</b>						
Public contributions and donations	0	0	110,238,685	6,697,685	103,541,001	Insufficient donor funding
Licenses and permits	52,000,000	0	52,000,000	63,642,240	(11,642,240)	Less application for abstractions
Transfer from other Governments	1,516,964,883	730,240,457	786,724,426	780,488,160	6,236,266	Limited GOK funding of Development projects
<b>Revenue from exchange transactions</b>						
Sale of Water and electricity	674,100,000	111,438,519	785,538,519	653,994,982	131,711,242	Less billing due to heavy rainfall
Other Income	22,100,000	0	22,100,000	28,070,520	5,970,520	Disposal of Motor vehicles
<b>Total income</b>	<b>2,265,164,883</b>	<b>0</b>	<b>1,756,601,630</b>	<b>1,532,893,586</b>	<b>(883,750,296)</b>	
<b>Expenses</b>						
Employee Costs	1,755,732,877	843,684,337	912,048,540	882,527,016	29,521,524	Retirements, resignations and less transfers
General Expenses	359,357,260	86,641,370	254,585,276	267,631,813	(13,295,406)	Additional support from MTAP Project

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Water Resources Management Expenses	124,614,746	421,762,454	546,377,200	314,021,805	232,355,395	Deferred expenditure
Board Expenses	25,460,000		25,460,000	17,535,751	7,924,249	Less board activities
Depreciation and Amortization Expenses				67,062,212	(67,062,212)	Not budgeted for
Finance Cost			18,130,614	12,087,076	6,043,538	Over budgeted
<b>Total recurrent costs and Expenses</b>	<b>2,265,164,883</b>	<b>-</b>	<b>1,756,601,630</b>	<b>1,561,114,542</b>	<b>(195,487,088)</b>	
<b>Operating Surplus / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(27,972,086)</b>		

**Notes:**

- a) The changes between original budget to final budget is that in the original budget the Authority had budgeted for pending bills in the recurrent budget, later in the year the ministry was unable to provide funds to cater for the same, which made the Authority to revise its budget downwards to reflect the available funds. Development budget was also revised downwards by the ministry due to lack of sufficient funds.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Water Resources Authority is established by and derives its authority and accountability from section 11 of the Water Act 2016. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to regulate and manage water resources in collaboration with Stakeholders for sustainable development.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

**3. ADOPTION OF NEW AND REVISED STANDARDS**

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
<p><b>IPSAS 33: First time adoption of Accrual Basis IPSAS</b></p>	<p><b>(Effective for annual periods beginning on or January 1, 2017)</b>            In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.            The entity adopted IPSAS in the year ended 30 June 2015 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</p>

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Standard	Impact
<b>IPSAS 34:</b> Separate Financial Statements	The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
<b>IPSAS 35:</b> Consolidated Financial Statements	The entity does not have any subsidiaries , joint ventures or investments and therefore the standard does not apply
<b>IPSAS 36:</b> Investments in Associates and Joint Ventures	The entity does not have investments in associates or joint ventures
<b>IPSAS 37:</b> Joint Arrangements	The entity does not have an interest in a joint arrangement and therefore the standard does not apply
<b>IPSAS 38:</b> Disclosure of Interests in Other Entities	The entity does not have an interests in other entities and therefore the standard does not apply

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
<b>IPSAS 39:</b> Employee Benefits	<b>Applicable: 1<sup>st</sup> January 2018</b> The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
<b>IPSAS 40:</b> Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019:</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2017.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Revenue recognition

i) Revenue from non-exchange transactions

**Fees (Permits and Licences)**

**Water Permits**

Revenue from water permit fees is recognized when billed. The entity recognizes revenues from Water permit fees when the event occurs and the asset recognition criteria are met. 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. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

*Interest income*

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

The Authority'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

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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 XV of these financial statements.

**b) Taxes**

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets.

#### c) Property, plant and equipment

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

All property, plant and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation. Depreciation is calculated on straight line basis to write down the cost of each asset to its residual value over its estimated useful life using the following per annum rates:

Buildings	10.0%
Water Supply Infrastructure	2.5%
Office Equipment	12.5%
Computers & IT Equipment	33.3%
Motor Vehicles	25.0%
Furniture and Fittings	12.5%

**d) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

**e) Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The authority determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

*Impairment of financial assets*

The authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The authority determines the classification of its financial liabilities at initial recognition.

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

*Loans and borrowing*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**f) 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:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**g) Provisions**

Provisions are recognized when the authority 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 the authority 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***

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

***Contingent assets***

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

**h) Nature and purpose of reserves**

The authority creates and maintains reserves in terms of revenue reserves.

**i) Changes in accounting policies and estimates**

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

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**NOTES TO THE FINANCIAL STATEMENTS**

**j) Employee benefits**

**Retirement benefit plans**

The authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the authority pays fixed contributions into a separate 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.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**k) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**l) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**m) Related parties**

The authority 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 the directors, the CEO and senior managers.

**n) Service concession arrangements**

The entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**o) Cash and cash equivalents**

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

**p) Comparative figures**

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

**SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the authority'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 period

**WATER RESOURCES AUTHORITY**

**Reports and Financial Statements**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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**Provisions**

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Provisions for bad and doubtful debts are at the following rates:

Period Outstanding	Percentage
241 - 360 days (8-12 months)	10%
Over 1 Year	50%

**q) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

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**5. Public contributions and donations**

Description	2017-2018	2016-2017- Reclass
	KShs	KShs
GTZ Funds	0	1,492,908
Other Donor Funds	6,697,685	10,838,340
	<b>6,697,685</b>	<b>12,331,248</b>

This is revenue received from Development partners for development activities. The reclassification of GOK recurrent and Development grants from Public contributions and Donations to transfers from Ministries, Departments and agencies caused the reclassification of prior year figures but with no effect on the status of the financial performance and position.

**6. Licences and Permits**

Description	2017-2018	2016-2017
	Kshs	Kshs
Application & Authorization Fee	24,670,009	28,039,188
G/Water Permit Fee	29,013,215	14,937,152
S/Water Permit Fee	9,959,016	5,286,174
	<b>63,642,240</b>	<b>48,262,514</b>

**7. Transfers from Ministries, Departments and agencies**

Description	2017-2018	2016-2017- Reclass
	KShs	KShs
Recurrent Grants- MoWS	414,999,992	397,674,720
Development Grants- MoWS	278,249,204	189,145,316
KWSCRIP Funds	62,445,257	26,101,253
Water Sector Trust Fund- WSTF	24,793,707	2,539,220
	<b>780,488,160</b>	<b>615,460,509</b>

These are funds received from development GOK through Ministry of water and Sanitation and other state agencies for financing development programmes. The reclassification of GOK recurrent and Development grants from Public contributions and Donations to transfers from Ministries, Departments and agencies caused the reclassification of prior year figures but with no effect on the status of the financial performance and position.

**WATER RESOURCES AUTHORITY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**8. Sale of water and electricity**

Description	2017-2018	2016-2017
	KShs	KShs
S/Water use charges	495,040,436	577,671,092
G/Water use charges	125,952,701	58,284,900
Laboratory Service charges	17,663,854	15,612,040
Waste Disposal Charges	15,337,991	6,543,696
	<b>653,994,982</b>	<b>658,111,729</b>

**Water user charges**

This represents revenue realized from internally generated funds, largely for water permit fees and water use charges.

**9. Other Incomes**

Description	2017-2018	2016-2017
	KShs	KShs
Interest Income	3,797,721	592,092
Penalties	16,663,463	17,560,339
Tender Fees	0	1,000
Data Sales	1,107,396	1,146,380
Other Incomes, WDC doc sales	1,176,440	2,384,002
Insurance claim/Vehicle Disposal	5,325,500	3,200,000
<b>Other Incomes</b>	<b>28,070,520</b>	<b>24,883,813</b>

This revenue from A-in-A; Internally Generated Funds largely from sale of data and other miscellaneous receipts.

**10. Employee costs**

	2017-2018	2016-2017
	KShs	KShs
Basic Salaries	555,388,514	569,511,618
House Allowances	138,242,813	139,408,367
Other Allowances	27,086,531	29,710,340
Gratuity & Pension Contribution	84,954,219	86,412,797
Leave Allowance	15,586,492	16,573,272
Commuter Allowance	52,385,400	53,230,000
Honoraria	3,355,460	5,257,000
Transfer Allowances	5,527,586	4,386,027
	<b>882,527,016</b>	<b>904,489,421</b>

Key management remuneration amounted to Kes 10.2 Million making it 0.01% of total employee cost

**WATER RESOURCES AUTHORITY**  
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**11. Board Expenses**

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria		971,000
Board Workshops and Seminars	611,216	1,876,536
Board Travel and Accommodation	9,284,767	15,914,174
Other allowances	7,639,768	8,219,026
	<b>17,535,751</b>	<b>26,980,736</b>

**12. General Expenses**

	2017-2018	2016-2017
	Kshs	Kshs
Staff Training Expenses	772,110	19,406,104
Medical Expenses	100,000	529,950
Motor Vehicle Expenses	19,521,282	20,057,612.
Travelling and Accommodation	29,427,770	40,802,952
Conferences and Meetings	138,100	227,800
Telephone & Internet costs	17,257,148	21,870,429
Postal & Courier Services	1,382,558	1,477,477
Official Entertainment	234,008	225,911
Staff Welfare Expenses	935,974	1,346,367
Hospitality Costs-Purchase of Coffin	183,540	305,825
Catering Expenses	2,246,481	2,048,703
Advertising Expenses	1,795,484	2,564,366
Uniform & Clothing	0	2,332,282
Insurance Costs	84,908,521	69,539,455
Membership Fees and Subscription to Professional Bodies	22,486,800	15,129,689
Legal Dues & Professional Bodies	13,727,284	35,302,805
Show Expenses	51,725	447,275
Office Rent and Rates	26,482,872	20,931,659
Electricity Expenses	2,491,569	2,351,445
Water and Conservancy Expenses	789,025	872,230
General Office Expenses	9,779,732	7,547,580
Computer Stationery & Accessories	8,608,966	5,939,168
Office General Stationery	5,157,293	4,548,671
Publishing and Printing	881,427	565,932
Library Expenses	411,184	457,477
Maintenance of Furniture and Office Equipment	778,480	3,118,094
Maint. Computers, Software, Networking, Plant & Machinery	2,178,098	1,072,020
Maintenance of Buildings and Stations	423,537	391,058

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Minor Alterations& Maintenance works	1,814,116	919,190
Bank Charges & Commissions	1,764,832	1,415,875
Laboratory & Reagents Supplies	1,277,265	3,120,010
Audit fees		402,400
Provision for bad debts	9,624,632	6,284,161
	<b>267,631,813</b>	<b>293,551,972</b>

**13. Water Resource Management Expenses**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Gender Sensitive and Human Resource Development	0	28,800
Workshop and Seminars	6,188,817	11,586,270
Publicity& Information Dissemination	2,493,990	5,770,100
Regulatory functions	23,673,599	11,331,853
Water abstraction system expenses	6,111,840	14,700,680
CAACs Expenses	0	0
WRUA's Establishment and Support	40,602,693	12,093,761
Catchment Management Strategy	6,695,172	2,930,855
Catchment monitoring plan-technical equipment	22,672,133	0
Catchment monitoring plan-other activities		12,230,371
Catchment monitoring, Protection,& other water resources mgt measures	124,042,001	47,344,210
Feasibility study and project design	111,980	49,000
Preventive Water Resources Mgt. Measures	400,100	185,060
Water Quality Laboratory capacity enhancement	1,195,301	961,813
Roof Catchment Structures	36,800	1,600,465
Project Planning and Supervision	1,668,200	458,200
Rehabilitation of Water Monitoring Stations	15,988,590	2,706,888
Livelihood Based Investments	100,000	0
KWSCRIP activities	62,040,588	25,515,608
	<b>314,021,805</b>	<b>149,493,934</b>

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**14. Property, plant and equipment**  
**FY2016/17**

Cost	Buildings		Motor vehicles		Furniture and fittings		Computers		Water Supply Infrastructure		Capital Work in progress		Total	
	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	Shs
At 1 July 2016	393,706,080	10%	212,571,319	25%	283,783,713	12.5%	95,077,993	33%	18,477,774	2.5%	0	0%	1,003,616,879	
Additions	0		0		9,084,780		16,024,925		0		0		25,109,705	
Disposals	0		(6,246,900)		0		0		0		0		(6,246,900)	
Transfers/adjustments	0		0		0		0		0		0		0	
<b>At 30<sup>th</sup> June 2017</b>	<b>393,706,080</b>		<b>206,324,419</b>		<b>292,868,493</b>		<b>95,318,493</b>		<b>18,477,774</b>		<b>0</b>		<b>1,022,479,684</b>	
<b>Depreciation and impairment</b>														
At 1 July 2016	110,735,181		196,590,381		187,063,271		80,394,806		1,334,557		0		576,118,197	
Depreciation														
Charge for the Year	21,332,647		12,748,325		24,850,755		10,750,166		542,761		0		70,224,654	
Disposals	0		(6,246,900)		0		0		0		0		(6,246,900)	
<b>At 30<sup>th</sup> June 2017</b>	<b>132,067,828</b>		<b>203,091,806</b>		<b>211,914,027</b>		<b>91,144,972</b>		<b>1,877,318</b>		<b>0</b>		<b>640,095,950</b>	
<b>Net book values</b>														
At 30 <sup>th</sup> June 2017	261,638,252		3,232,614		80,954,466		19,957,946		16,600,456		0		382,383,733	
At 30 <sup>th</sup> June 2016	282,970,899		15,980,939		96,720,441		14,683,186		17,143,217		0		427,498,682	

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FY2017/18

Cost	Buildings		Motor vehicles		Furniture and fittings		Computers		Water Supply Infrastructure		Capital Work in progress		Total	
	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%	Shs	%
At 1 July 2017	393,706,080	10%	206,324,419	25%	292,868,493	12.5%	111,102,918	33%	18,477,774	2.5%	0	0%	1,022,479,684	
Additions	0		0		6,620,003		6,396,666		0		0		13,016,669	
Disposals	0		(22,546,024)		0		0		0		0		(22,546,024)	
Transfers/adjustments	0		0		0		0		0		0		0	
At 30 <sup>th</sup> June 2018	393,706,080		183,778,396		299,488,496		117,499,584		18,477,774		0		1,012,950,330	
Depreciation and impairment														
At 1 July 2017	132,067,828		203,091,806		211,914,027		91,144,972		1,877,318		0		640,095,950	
Depreciation														
Charge for the Year	21,133,650		2,912,319		22,580,329		10,921,883		439,395		0		57,987,576	
Disposals	0		(22,546,024)		0		0		0		0		(22,546,024)	
At 30 <sup>th</sup> June 2018	153,201,478		183,458,101		234,494,355		102,066,855		2,316,713		0		675,537,503	
Net book values														
At 30 <sup>th</sup> June 2018	240,504,602		320,295		64,994,140		15,432,729		16,161,061		0		337,412,827	
At 30 <sup>th</sup> June 2017	261,638,252		3,232,614		80,954,466		19,957,946		16,600,456		0		382,383,733	

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****15. Intangible assets-software**

Description	2017-2018 KShs	2016-2017 KShs
<b>Cost</b>		
As at 1 <sup>st</sup> July 2017	97,627,595	95,637,035
<b>Additions</b>	<b>0</b>	<b>1,990,560</b>
As at 30 <sup>th</sup> June 2017	97,627,595	97,627,595
Additions-internal development		
<b>At end of the year</b>		
<b>Amortization and impairment</b>		
As at 1 <sup>st</sup> July 2017	65,590,168	57,226,409
<b>Amortization charge for the year</b>	<b>9,074,637</b>	<b>8,363,760</b>
Impairment loss		
As at 30 <sup>th</sup> June 2018	74,664,805	65,590,168
<b>Net Book Value at 30<sup>th</sup> June 2018</b>	<b>22,962,790</b>	<b>32,037,427</b>
<b>Net Book Value at 30<sup>th</sup> June 2017</b>	<b>32,037,427</b>	<b>38,410,626</b>

**16. Cash and Cash Equivalents**

This comprises of both cash held in hand and at bank.

**a) Bank Balance**

Description	2017-2018 Kshs	2016-2017 Kshs
KCB- Athi Catchment Area-Mombasa	188,922	20,113
KCB-SIDA Bank A/C-HQ Nairobi	0	20,752
Barclays-MTAP	0	7,112,335
National Bank of Kenya-HQ Nairobi	83,407,439	29,835,575
KCB-Athi Catchment Area-Machakos-General	90,937	390,372
Equity-MTAP	0	1,349
KCB- Athi Catchment Area- Nairobi Sub Region-KWSP	96,810	2,622,015
KCB- Athi Catchment Area-Kibwezi Sub Region-KWSP	210,122	25,672
KCB- Athi Catchment Area-Kiambu Sub Region -KWSP	6,820	245,346
KCB- Athi Catchment Area-Loitoktok Sub Region-KWSP	25,580	33,337
KCB- Athi Catchment Area-Machakos-Revenue	1,108,067	3,340,470
KCB-Tana Catchment Area-Embu-General	1,556,245	446,835
KCB-Tana River Catchment Area-Embu-KWSP	0	264
KCB-Tana Catchment Area-Meru Sub Region-KWSP	108,014	258,404
KCB-Tana Catchment Area-Kerugoya Sub Region-KWSP	383,120	51,882
KCB-Tana Catchment Area- Kitui Sub Region-KWSP	51,387	310,344
KCB-Tana Catchment Area-Murang'a Sub Region-KWSP	16,243	240,048
KCB-Tana Catchment Area-Garissa Sub Region-KWSP	4,829	14,180

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Coop-Tana Catchment Area –Embu Region-NRM	0	1,568
KCB-Ewaso Nyiro Catchment Area-Nanyuki-General	279,689	1,586,914
KCB-Ewaso Nyiro Catchment Area-Nanyuki-KWSP	0	5,425
Equity-MTAP Regional	0	3,444
KCB-Ewaso Nyiro Catchment Area-Nanyuki Sub Region-KWSP	249,506	331,186
KCB-Ewaso Nyiro Catchment Area-Mandera Sub Region-KWSP	2,264	55,989
KCB-Ewaso Nyiro Catchment Area-Marsabit Sub Region-KWSP	9,307	1,780
KCB-Ewaso Nyiro Catchment Area-Nyahururu Sub Region-KWSP	1,464	241,339
KCB-Ewaso Nyiro Catchment Area-Isiolo Sub Region-KWSP	396,007	31,295
Equity-MTAP Isiolo	0	4,073
NBK-Rift Valley Catchment Area-Nakuru-General	9,190	1,117,674
KCB-Rift Valley Catchment Area-Nakuru-KWSP	2,704	1,055
KCB-Rift Valley Catchment Area-Baringo Sub Region-KWSP	70,769	2,694
KCB-Rift Valley Catchment Area-Kapenguria Sub Region-KWSP	4,550	12,964
KCB-Rift Valley Catchment Area-Narok Sub Region-KWSP	4	43,315
KCB-Rift Valley Catchment Area-Lodwar Sub Region-KWSP	2,434	43,689
KCB-Rift Valley Catchment Area-Naivasha Sub Region-KWSP	7,177	2,073
KCB-Lake Victoria North Catchment Area-Kakamega-General	56,262	1,088,699
KCB-Lake Victoria North Catchment Area-Kakamega-KSWP	0	14,396
KCB-Lake Victoria North Catchment Area-Siaya SubRegionKWSP	0	51,293
KCB-Lake Victoria North Catchment Area-Eldoret Sub-Region KWSP	3,816	4,745
KCB-Lake Victoria North Catchment Area-Kitale Sub Region KWSP	16,667	1,543
KCB-Lake Victoria South Catchment Area-Kisii Sub Region-KWSP	10,310	187,950
KCB-Lake Victoria South Catchment Area-Kisumu Sub Region-KWSP	21,546	28,452
KCB-Lake Victoria South Catchment Area-Kericho Sub Region-KWSP	198,498	142,417
KCB-Lake Victoria South Catchment Area- Kericho Sub Region-Mamase	25,978	384
KCB-General Operations A/C –HQ Nairobi	232,049,254	211,960,367
KCB-Revenue A/C –HQ Nairobi	21,866,035	19,400,296
KCB-Revenue Tana region	2,031,005	0
NBK-Lake Victoria South Catchment Area- Kisumu –General	83,019	1,360,107
KCB-Lake Victoria South Catchment Area-Kisumu-Revenue	68,987	5,694,841
KCB-Lake Victoria North Catchment Area-Kakamega-Revenue	10,609	2,468,910
KCB-Rift Valley Catchment Area-Nakuru-Revenue	85,987	8,298,296
KCB-Rift Valley Catchment Area-Naivasha-IWRAP	0	2,705
KCB-Ewaso Nyiro Catchment Area-Nanyuki	4,740,617	4,138,483
Equity Bank –KWSCRPIU Account	14,265,798	18,558,347
	<b>363,823,988</b>	<b>321,858,001</b>
<b>Cash balance</b>		
Cash in hand –Head office	28,376	200,709
Cash in hand- Athi Catchment Area	35,032	0
<b>Total</b>	<b>363,887,396</b>	<b>322,058,710</b>

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**17. Receivables from Exchange transactions**

This includes amount owed by general customers unpaid for services rendered by the Authority. The outstanding amount was as follows:

Description	2017-2018	2016-2017
		Kshs
General Debtors	2,549,537,855	2,453,308,956
Less Provision for bad debts	254,953,785	245,329,153
	<b>2,294,584,069</b>	<b>2,207,962,378</b>

**18. Receivables from None exchange transactions**

Description	2017-2018	2016-2017
	Kshs	Kshs
Staff Advances	4,865,691	1,217,243
Deposits	744,821	744,821
Prepayments	8,307,123	22,111,600
	<b>13,914,635</b>	<b>24,073,664</b>

**19. Customer Deposits- Un-receipted**

Description	2017-2018	2016-2017
	Kshs	Kshs
KCB-Tana River Catchment Area-Embu –Revenue	0	6,781,702
	<b>0</b>	<b>6,781,702</b>

**20. Trade and other payables from exchange transactions**

Description	2017-2018	2016-2017
	Kshs	Kshs
Trade Creditors	1,211,659,189	1,187,064,926
Accrued Expenses	16,735,039	18,074,817
Overdrawn Bank accounts	3,248	12,679
	<b>1,228,397,476</b>	<b>1,205,309,422</b>

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**21. Long term Loan**

This represents the amount of loan due to the Government arising from a Credit granted by the World Bank (IDA) for the Natural Resources Management Project.

Description	2017-2018	2016-2017
	Kshs	Kshs
IDA/World Bank	367,658,654	362,612,300
Interest/ penalties Payable	12,087,076	5,046,354
	<b>379,745,730</b>	<b>367,658,654</b>

**22. Capital Funds**

This represents capital funds and assets given to the Authority by development partners, namely GTZ, AWF, SIDA/DANIDA under Water Sector Reform Programme and the Kenya Water and Sanitation Programme and KWSCRIP respectively. The Capital funds were received as follows:

Description	2017-2018	2016-2017
	Kshs	Kshs
Capital Assets Transfer-GOK	17,760,443	17,760,443
GTZ	4,053,315	4,053,315
Kenya Water and Sanitation Programme	35,349,589	35,349,589
AWF	770,000	770,000
MTAP Fund	50,000,000	50,000,000
KWSCRIP	15,784,425	15,784,425
Total	<b>123,717,772</b>	<b>123,717,772</b>

**23. Revenue Reserves**

Description	2017-2018	2016-2017
	Kshs	Kshs
Retained Earnings at 1 <sup>st</sup> July	1,034,529,648	1,138,888,431
Adjustments in Reserves Reclass	(285,625)	(5,257,767)
Deficit	(27,972,086)	(99,101,016)
	<b>1,006,271,937</b>	<b>1,034,529,648</b>

The adjustment in reserves relates to the refunds to DANIDA after the end of the MTAP II project.

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**24. Deferred Income**

Description	2017-2018	2016-2017
	KShs	KShs
National government	280,363,004	211,960,367
Transfers from other Governments- KWSCRIP	14,265,798	18,558,347
Public contributions and donations	0	0
<b>Total deferred income</b>	<b>294,628,802</b>	<b>230,518,714</b>

The deferred income movement is as follows:

	National government	Other government	Total
Balance brought forward	211,960,367	18,558,347	230,518,714
Additions	373,063,750	58,152,708	431,216,458
Transfers to Capital fund	26,411,909	0	26,411,909
Transfers to income statement	278,249,204	62,445,257	340,694,461
Other transfers			
<b>Balance carried forward</b>	<b>280,363,004</b>	<b>14,265,798</b>	<b>294,628,802</b>

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**APPENDIX1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comment	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	The property, plant and equipment balance of Kshs.382,383,733 as at 30 June 2018 excludes value of twelve (12) parcels of land across the country on which the Authority has put up various developments including buildings but for which the Authority does not possess legal ownership documents such as title deeds. Consequently, it was therefore not possible to verify the	Water Resources Authority cannot claim value of Land where its offices have been built since it is a shared resource under the ministry of Water, Environment and Natural Resources. Land is owned by the Government of Kenya and being part of the Government, Water Resources Authority uses it to discharge its constitutional mandate. The process of asset transfer has been slow due to an embargo by Transition Authority on all public	CEO WRA	In Progress	End of the financial year.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comment	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	ownerships of these properties as reflected in the financial statements.	assets transfer.			
2.	As reported in the year, the Authority had un-receipted customer deposits of Kshs 6,781,702 which was explained as revenue money deposited in WRA bank account ,however revenue details of the persons or companies depositing the money and the purpose was not shown in the bank records, making it impossible for the Authority to receipt the money in cashbook and revenue accounts	These are un-receipted deposits in our revenue account due to inability to identify the client who made the deposit leading to negative apparent payables in our revenue account. This amounts is assumed to be payable until a receipt is raised since it might also include erroneous deposits which can be refundable. The figure has been dropping over time and much reconciliation ongoing so as to ensure timely receipting. Statement extracts.	Chief Commercial Officer	Account reconciled	End of the financial year.

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comment	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.	<p>During the year under review, the authority had receivable from exchange transaction of Kshs 2,453,308,956 out of these debtors Kshs 2,095,551,277 has been outstanding for a period of more than 9 months and whose recoverability is doubtful. However, the provision of bad debts of Kshs 245,330,896 appears inadequate for the growing debt portfolio consequently the recoverability and accuracy of the receivables from</p>	<p>WRA has struggled in debt collection since it has a lot of interest in the funds. Much effort has been put in place in order to ensure that revenue collection is enhanced. The authority has entered into Mous with most debtors and in some cases has had to undertake court battles with the debtors. Also the authority has created a dedicated department for revenue collection; commercial department in order to concentrate on collecting debts and current revenues. The authority also shall review its debt</p>	CEO	Revenue department working hard to collect outstanding debts	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comment	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.	<p>exchange transactions of Kshs 2,207,962,378 as at 30<sup>th</sup> June 2017 could not be confirmed.</p> <p>Included in trade and other payables from exchange transactions balance of Kshs 1,205,309,422 is an amount of Kshs 1,081,085,841 which is owed to three institutions as follows:  WRA Pension 401,813,316,  Ukulima Sacco 51,573,038,  Paymaster General 627,699,487. These are part of statutory deductions that were</p>	<p>collection policy and provisions for doubtful and bad debts so as to provide adequate cover in case of non-payment of the debts.</p> <p>WRA management has undertaken measures to ensure that all staff Payroll deductions are remitted on time for period under audit 2016/17. Current salaries and other payroll by products are being settled on time and none is in arrears. The arrears relates to the period 2011- 2016 and management has made strides in settling these debts by writing various requisitions for</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comment	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>made from salaries of employees for remittance to the relevant institution but were not remitted.</p> <p>In consequence it has not been possible to confirm the accuracy and completeness of trade and other payables from exchange transactions balance of Kshs 1,205,309,422 as at 30 June 2017</p>	<p>support from the parent ministry and the National treasury. The management has also prepared a cabinet memo requesting for improved funding to WRA in order to settle these debts and properly undertake its mandate.</p>			
6.	<p>Records maintained by the authority indicate that the Authority has an outstanding loan of Kshs 362,612,300 a credit granted by world bank to finance Natural Resources</p>	<p>WRA endeavours to comply with the loan agreement and being a non-commercial government agency, it has written to the PS ministry of water and sanitation and the investment secretary National treasury</p>	CEO	Waiting for budget allocation to settle the loan	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comment	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Management project with its repayment starting 30 March 2017. The Authority has not made any repayment totalling to Kshs 18,130,614 as principal amount and Kshs 14,708,461 as interest. This has since had a growing penalty of Kshs 5,046,355. The management of the Authority explained that it doesn't have finances to repay the outstanding loan. In the circumstances it has not been possible to confirm that the Authority will be able to repay the outstanding loan balance of Kshs 367,656,54 as at 30</p>	<p>informing them of the inability to pay and requesting them for the financial support in repayment or waiver of the same facility. For the Authority has included in its budget a loan repayment budget item and Awaiting approval</p>			

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management Comment	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	June 2017 when it fall due.				

HON. JOE MUTAMBU  
 CHAIRMAN

DATE:.....12.03.2019.....

Sign -----

MOHAMED M. SHURIE  
 CHIEF EXECUTIVE OFFICER

DATE:.....

Sign-----

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by WRA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Kenya Water Security And climate Resilience	World Bank	5yrs	3.45 Billion	Yes	Yes
2						

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Kenya Water Security And climate Resilience	3.45 Billion	87.556,196		374,754,500	87.556,196	World Bank

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**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the State Department of Water and Sanitation				
FY 17/18				
a.	Recurrent Grants			
		14/08/17	33,916,666	17/18
		07/09/17	67,833,332	17/18
		07/11/17	33,916,666	17/18
		08/12/17	33,916,666	17/18
		18/01/18	33,916,666	17/18
		14/03/18	33,916,666	17/18
		07/05/18	33,916,666	17/18
		09/05/18	33,916,666	17/18
		22/06/18	33,916,666	17/18
		25/06/18	33,916,666	17/18
		27/06/18	33,916,666	17/18
		19/10/017	8,000,000	Transition funds
		<b>Total</b>	<b>414,999,992</b>	
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
b.	Development grants	19/10/17	105,750,000	17/18
		09/04/18	105,750,000	17/18
		09/04/18	93,250,000	17/18
		01/07/18	29,278,750	17/18
		<b>Total</b>	<b>334,028,750</b>	
c.	Other Development grants			
		12/2/018	10,000,000	Drought mitigation funds
		19/03/018	10,000,000	Strategic plan funds
		05/07/018	19,035,000	Trans boundary water funds
		<b>Totals</b>	<b>39,035,000</b>	
d.	Donor receipts	7/11/17	58,152,708	17/18
e.	Water Sector Trust Fund	26/03/18	24,793,707	WRUA funds
		<b>Total</b>	<b>871,010,157</b>	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager  
 Water Resources Authority

Head of Accounting Unit  
 Ministry of Water and Sanitation

Sign.....

Sign.....

**APPENDIX IV: TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES**

Name of the Entity sending the grant	Amount recognized to Statement of Financial performance KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund.	Total grant income during the year	2016-2017-
			KShs	KShs	KShs
Ministry of Water and sanitation	693,249,196	68,402,637	26,411,909	788,063,742	586,820,036
KWSCRIP	62,445,257	-4,292,549	0	58,152,708	44,659,600
WSTF	24,793,707			24,793,707	2,539,220
<b>Total</b>	<b>780,488,160</b>	<b>64,110,088</b>	<b>26,411,909</b>	<b>871,010,157</b>	<b>634,018,856</b>