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THE AUDITOR-GENERAL

ON

**REGIONAL CENTRE ON GROUNDWATER
RESOURCE EDUCATION, TRAINING AND
RESEARCH IN EASTERN AFRICA**

**FOR THE YEAR ENDED
30 JUNE, 2021**



**REGIONAL CENTRE ON GROUNDWATER RESOURCES EDUCATION TRAINING
AND RESEARCH IN EASTERN AFRICA**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2021**

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Regional Centre on Groundwater Resources Education Training and Research was formed through Legal Notice No. 252 of 18th December 2015. This was the culmination of a Memorandum of Understanding signed between the Kenya Government and UNESCO to set up a Category 2 Centre in the country to spearhead research and education on groundwater resources. This is a State Corporation under the Ministry of Water, Sanitation and Irrigation. At the policy level, the Centre is headed by the Chairperson of the Board of Directors who is responsible for policy and strategic direction of the Centre

b) Principal activities

The principal activities of the Centre are to carry out research, capacity building and civic education/ public Awareness on groundwater resources occurrence and its status.

c) Key Management

The Regional Centre on Groundwater Resources Education Training and Research's day to day management is under the following key organs:

1. The Board of Management
2. Chief Executive Officer
3. Senior Management

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Mrs. Agnes W. Mbugua
2.	Head of Technical	Mr. Thomas Kangethe
3.	Head of Supply Chain Management	Ms. Veronica David
4.	Head of Human Resource and Administration	Ms. Eunice Mwangi
5.	Head of ICT	Ms. Hellen Wanyaga
6.	Head of Accounts and Finance	CPA John Mbugua
7.	Head of Internal Auditor	CPA James Areba

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e) Fiduciary Oversight Arrangements

RCGW's oversight responsibility is vested in the;

- 1) Board of Management which had 8 members.
- 2) Research, Education and Training Committee which had 4 members.
- 3) Finance and Administration Committee which had 3 members.
- 4) Audit and Risk Committee which had 4 members.

f) Entity Headquarters

Regional Centre on Groundwater Resources Education Training and Research
Bishop Rd, NSSF Building Blok A 16th Floor Western-Wing
P. O. Box 41156-00100
Nairobi, KENYA

g) Entity Contacts

Tel: 020 8008004
Cell No.: +254-722606830
Email: info@rcgw.go.ke
Website: www.rcgw.go.ke

h) Entity Bankers

Kenya Commercial Bank of Kenya
Moi Avenue
P.O. Box 30081
GPO 00100
Nairobi, Kenya

i) Independent Auditors

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

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j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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2. THE BOARD OF DIRECTORS

Ref	Directors	Details
1.	 Dr. Susan Musyoka Independent Board Member	Hon. Dr. Susan Mbinya Musyoka is a Medical Practitioner. She holds a Master's Degree in Public Health from Leeds University and Bachelor of Medicine and Surgery from the University of Nairobi. Dr. Susan has experience in Medical and Political field. She has worked with the Government in Machakos and Embu Hospitals. She has managed and provided Health Care Services at the Machakos Medical Clinic, an Institution in Machakos Town. She also served as a member of Parliament representing Machakos County from 2013 to 2017. She has been a President of Rotary Club of Machakos 2005/2006, Member of the Kenya Red Cross, Life Member Societies for the Deaf, Blind and the Association for the Physically Disabled of Kenya and Secretary Church Board of Directors- Africa Brotherhood Church.
2.	 Dr. Peter Waweru Kamaku Independent Board Member	Dr. Peter W. Kamaku holds a PhD in Pure Mathematics from JKUAT, PgDip Educational Technology from the University of Cape town, South Africa, MSc Pure Mathematics and BSc Mathematics and Computer Science from both from JKUAT. Dr. Kamaku has 12 years' work experience and currently is a Senior Lecturer at the School of Mathematical Sciences, JKUAT. He is also a FIFA International Football Referee, CAF Elite Referee and the Director Sports and Games at the JKUAT.
3.		Mr. Cyrus Mwaniki is a former Director of Ewaso

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	 Mr. Cyrus Mwaniki Independent Board Member	Ngiro North Development Authority (ENNDA) and has previously served as a Civil Servant in various Government Ministries for a period spanning 22 years. He is also an established businessman and community leader. He holds a Diploma in Theology from Presbyterian Church of East Africa.
4.	 Dr. Salome M. Guchu Rep. University Education and Research	Dr. Salome M. Guchu is a Deputy Director-Research at the State Department of University Education and Research, Ministry of Education. She holds a PhD in Chemistry from University of Nairobi and has undertaken professional development courses in Corporate Governance and Policy Management. She has experience in research, science, technology and innovation policy and management. Her current areas of interest are in research and innovation policy management, science advice and science diplomacy.
5.	 Mr. Moses Kanagi Rep. Principal Secretary The National Treasury	Mr. Moses Kanagi is the Ag. Director Resources Mobilisation at the National Treasury. He holds a Masters of Arts degree in Economics and a BA in Management Studies. He has served in the Public Service as an Economist for 34 years in various capacity. He is the Alternate of the Principal Secretary, The National Treasury

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6.	 Mr. Paul N. Muthama Rep. Kenya Water Institute	Mr Paul Muthama is a Deputy Director Research at the Kenya Water Institute where he has also held a Senior Lecturer position. He has a Masters in Statistics and a BSc Degree in Mathematics from Kenyatta University. He has over 23years working in the Public Sector and 7 years at the Kenya Institute of Mass Communication as a Lecturer.
7.	 Mr. Gichangi Wotuku Rep. Principal Secretary Ministry of Water & Sanitation and Irrigation Corporate Secretary	Mr. Gichangi Wotuku is the Ag. Deputy Director. Groundwater Resources Division in the Department of National Water Resources, Ministry of Water and Sanitation & Irrigation. He holds a Bachelor of Science degree in Geology from the University of Nairobi. He has over 26 years' experience working as a Geologist in the Public Sector with extensive knowledge in Policy formulation on Water Resources Management, Groundwater Data Management, Hydrogeological Surveys, Drilling & Equipping of boreholes and Borehole water infrastructure development. He is the Alternate of the Principal Secretary, Ministry of Water and Sanitation & Irrigation.
8.	 Doris Mwangi Ag. Corporate Secretary RCGW	Ms. Doris N. Mwangi is an advocate of the High Court of Kenya having been admitted to the roll of advocates on 2nd December 2011. She holds a Bachelor of Laws degree from the Uganda Pentecostal University. She has a Post-Graduate diploma in Human Resource Management from the University of Nairobi and is currently pursuing a Masters of Law (LLM) at the university of Nairobi as well as undertaking the final section of the certified secretary's professional course. Ms. Mwangi is the Head of legal services at National

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		water Harvesting and Storage Authority and Ag. Corporate Secretary at the Regional Centre on Groundwater Resources Education, Training and Research. She is also a commissioner of oaths, a notary public and a certified arbitrator with the chartered institute of arbitrators, Kenyan Chapter. She has over 10years working experience having worked at Maina Wachira & Company Advocates, Kenya Orient Insurance Company and INVESCO Assurance Company.
9.	 Mrs. Agnes Mbugua Chief Executive officer, Regional Centre on Groundwater Resources Education Training and Research	Mrs. Agnes Mbugua holds an MSc.in Hydrogeology and Groundwater Management and BSc.in Geology from UON. She is a member of Geological Society of Kenya, Geological Registration Board and Licensed Qualified Water Resource Professional (Hydrogeologist). She is the Chief Executive officer, Regional Centre on Groundwater Resources Education Training and Research having worked in the Water sector in the last 24 years in various capacities. Previously headed the Research and Data Division as a Chief Water Research Officer, coordinated several groundwater mapping/research programmes both at National and Regional level including assessment of groundwater potential, borehole site investigations in various locations in the country. Held the position of the UNESCO desk officer at the Ministry of Water, Technical contact person at the office of UNESCO Special Envoy for Water in Africa (The 3rd President of Republic of Kenya), Task Force Member in development of UNESCO-IHP 9th Strategic Plan, Coordinator of Isotope Hydrology activities in the water sector.

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3. MANAGEMENT TEAM

	Management	Details
1.	 Mrs. Agnes W. Mbugua Chief Executive officer	Mrs. Agnes Mbugua holds an MSc.in Hydrogeology and Groundwater Management and BSc.in Geology from UON. She is a member of Geological Society of Kenya, Geological Registration Board and Licensed Qualified Water Resource Professional (Hydrogeologist). She is the Chief Executive officer, Regional Centre on Groundwater Resources Education Training and Research having worked in the Water sector in the last 24 years in various capacities.
2.	 CPA John Mbugua In charge of Finance and Accounts Department	Mr John Mbugua is currently pursuing Masters in Finance and accounting. He holds a Bachelor of commerce in Finance, CPA-K and an active member of Institute of Certified Public Accountants of Kenya ICPAK. He is in charge of Finance and Accounts Department having over 17 years experience in the field. Currently, he has been deployed from the Ministry of Water & Sanitation and Irrigation
3.	 Mr. Thomas Kang'ethe In charge of Technical Department	Mr. Thomas Kang'ethe holds an MSc.in Hydrogeology and Groundwater Management and BSc.in Geology. He is a member of Geological Society of Kenya, Geological Registration Board and Licensed Qualified Water Resource Professional (Hydrogeologist). He is in charge of Core Mandate having over 13 years experience in the field. Currently, he has been deployed from the Ministry of Water & Sanitation and Irrigation

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4.	 Ms. Eunice Mwangi In charge of Human Resource and Administration Department	Mrs. Eunice Mwangi holds an MSc.in Human Resource Management, BSc.in Human Resource Management, HNd. in Human Resource Management and Diploma in Human Resource Management. She is a active member of Institute of Human Resource Management of Kenya. She is in charge of Human Resource and administration department having over 30 years experience in the field. Currently, she has been deployed from the Ministry of Water & Sanitation and Irrigation
5.	 Ms. Veronica David In charge of Supply Chain Management Department	Mrs. Veronica David holds Bachelor of Purchasing and supplies Management and Diploma in Purchasing and supplies Management. She is in charge of Supply Chain Management Department having over 18 years experience in the field. Currently, she has been deployed from the Ministry of Water & Sanitation and Irrigation
6.	 Ms. Hellen Wanyaga In charge of ICT Department	Mrs. Hellen Wanyaga holds an MSc.in Information Technology Management and BSc.in information Technology She is in charge of ICT department having over 16 years experience in the field. Currently, she has been deployed from the Ministry of Water & Sanitation and Irrigation
7.	 CPA James Areba In charge of Internal Audit	Mr James Areba holds Masters in Finance, Bachelor of commerce in Finance, CPA-K,CFE and an active member of Institute of Certified Public Accountants of Kenya ICPAK and Institute of Internal Auditors IIA . He is in charge of Internal Audit having over 18 years experience in the field. Currently, he has been deployed from the Ministry of Water & Sanitation and Irrigation

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4. CHAIRPERSON'S STATEMENT

I write this statement as the Centre's Session Chair since the Substantive Chair exited on 30th June, 2020. It therefore gives me great pleasure to present Centre's Financial Report and Financial Statement for the year ending 30th June 2021. The Centre had a good performance for an organization that is about four years old. We made a milestone despite having a limited budget and the COVID 19 Global Pandemic challenges.

The Board and its organs

The board of Management was fully constituted with its 3 (three) Board Committees as follows:

- Research, Education and Training Committee
- Finance and Administration Committee
- Audit and Risk Committee

Corporate Performance

During the period under review the Centre was able to achieve the following.

- a) The Centre maintained the banks account for Recurrent and Development Expenditure opened with authority from the National Treasury. This afforded the Centre a level of autonomy since it manages its own expenditure albeit with a bit of support from the ministry.
- b) The Centre had a Budget of Ksh 69 Million with an additional 15 Million from the Ministry for new offices refurbishment. The Ministry transferred Ksh 66.5million to the Centre. The same was eventually released to the Centre in monthly tranches. With this support the Centre was able to support meetings of Board of Directors. The Board of Directors met regularly to discuss matters of the Centre.
- c) Participation in Mid Term Expenditure Framework Planning meetings organized by the Ministry of Finance to prepare for the third MTP. This was to ensure the Centre was captured in the Government Financial Planning Cycle for 2021/2022 financial year.
- d) Recruitment of a substantive 4 Permanent and Pensionable staff in addition to the CEO.
- e) Engagement of temporary staff on an interim basis awaiting recruitment of permanent staff as the budget grows.
- f) Recruitment of interns in keeping with the Government policy of exposing youths to practical work experience.
- g) The Centre implemented its second Performance Contract successfully by adhering to the set PC guideline under cycle 17.

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Acknowledgement

I would like to extend my appreciation to the Cabinet Secretary and Principal Secretary for their guidance and support. I would also want to commend the Board of Directors, CEO and the Centre's staff for their dedicated service which enabled the Centre to operate despite of many challenges.



Dr. Peter W. Kamaku

Chairperson, Board of Management

Date:13/04/2022.....

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER

I present the Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa Report and Financial Statements for the FY 2020/2021. During this period, the Centre fared reasonably well as disbursements from the Government was received although sometimes, late. The biggest challenge that was faced by the Centre was Budgetary constrain triggered by development budget cut, the high office rentrates and low staffing levels. I am pleased to report that the Centre Management handled these challenges well through strict planning and prudent utilisation of the available resources namely, Human, Systems, Financial and Physical Facilities; this was supported by financial and technical backstopping of the Parent Ministry.

Financial Results

The Centre during the reporting period experienced not limited to below challenges:

- Inadequate funding: During the reporting year, the Centre received Ksh. 33,999,996 recurrent budget, Ksh.17,500,000 Development Budget and Ksh. 15,000,000 under special request from the Ministry. With this allocation, the Centre was unable to fully implement its core mandate programmes. It has therefore been limited to Board activities, laying the foundation for staff recruitment and core mandate. Additionally, the Centre received donation of Lab Equipment worth ksh 4,235,809 from IAEA. The Centre needs enough space and resources to operationalize its research, training and Public awareness facilities such as geophysical equipment, drilling rigs, test pumping units, field vehicles, GIS and Remote Sensing Laboratory, Data Base Equipment, Isotope Hydrology and Hydro-chemical laboratories. This is hampered by lack of funds.
- Inadequate staffing: Currently the CEO and 4 permanent and pensionable staff are the only substantive staff working with 10 staff deployed from the Parent Ministry, 3 interns and 4 contracted staff. The Centre has planned for recruitment of more staff subject to the availability of a budget to support personnel emoluments. This will enable the Centre to become fully operational and minimize some of the shortcomings noted in the management level.

Future Outlook

In the short time that the Centre has been in the existence, we take cognisant of the progressive allocation of recurrent budget and development budget during the FY 2020/2021. Moving forward, this

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progressive allocation will enhance human resources capacity and enhance the initiated capital project. However, allocation for implementation of programmes and development/improvement of infrastructure which is crucial for effective fulfilment of the Centre's mandate was not addressed as expected.

Acknowledgement

I thank the Government through the Ministry of Water, Sanitation, and Irrigation for the continued financial and technical support. I would like to thank the Centre's board of Management for their leadership and direction. I appreciate the contribution and support made by the Centre's development partners and stakeholders in the implementation of the programmes. Finally, we could not have come this far without the staff teamwork hence their cooperation is highly appreciated.



Agnes W. Mbugua (Mrs)

Chief Executive Officer,

Regional Centre on Groundwater Resources Education Training and Research

Date: 18/04/2022

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**6. STATEMENT OF REGIONAL CENTRE ON GROUNDWATER RESOURCES
EDUCATION TRAINING AND RESEARCH PERFORMANCE AGAINST PRE
DETERMIND-OBJECTIVES FOR FY 2020/2021**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Regional Centre on Groundwater Resources Education Training and Research has four strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- i. Training and Outreach
- ii. Research and Consultancy
- iii. Institutional Capacity
- iv. Partnerships and Collaboration

Regional Centre on Groundwater Resources Education Training and Research develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Centre achieved its performance targets set for the FY 2020/2021 period for its four strategic pillars

7. CORPORATE GOVERNANCE STATEMENT

The Governing Board of the Centre as established through Legal Notice No. 252 of 18th December, 2015 is made up of three independent Board members and a Chairperson, appointed by name. The Board membership also comprises alternates of the Principal Secretaries for the Ministry of Water and Sanitation, Ministry of Education, Ministry of the Treasury and Planning, and the Kenya Water Institute. The Chief Executive Officer is an *ex officio* member of the Board.

In considering nominations to the Board, Professional qualifications, gender, experience, and diversity is considered. The Board exercises prudent management, leadership, integrity, innovativeness, and judgement in managing the Centre.

The Directors are provided with all the available appropriate and timely information that enables them to exercise full and effective control over strategic, financial, operational and compliance issues.

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The daily operations of the Centre are done by the Chief Executive Officer who is ably supported by a dedicated team of deployed staff from the Ministry. They are responsible for establishing and maintaining internal controls for the realization of the Centre's mandate.

All the members of the Board are taken through a comprehensive induction programme and the SCAC Mwongozo training. They are further trained on their roles through various corporate governance trainings locally and internationally. The Board, the Committees and individual Directors are expected to be evaluated by an independent body 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 issues. The Committees report to and are accountable to the Board. The Board Committees main task is to deal more in detail with matters and cascade the same upwards to the Board for further deliberation and ruling.

The Board has four standing committees which should meet at least quarterly under terms of reference set by the Board. The functioning of these committees was affected by the small number of independent members to chair these committees.

The committees constitute as follows: -

Education and Training Committee

The primary responsibility of this committee is to oversee the development of training programmes and guidelines. It reviews all training needs assessments done and advises the Board on how to source for resources and expertise to carry out the trainings and capacity building.

Research Committee

This committee is charged with responsibility of developing research guidelines, seeking partnerships, and funding for research, and coordinating all research activities to ensure quality and prevent plagiarism. It advises the Board on how to leverage research and consultancy.

Finance and Administration Committee

This committee guides the Management in the preparation of annual budgets, work plans and procurement plans. It reviews the Centre's long term financial needs and ensures they are well captured in the various planning cycles for incorporation in future budgets. It also reviews expenditure on behalf of the Board to ensure optimal utilization of funds.

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Audit and Risk Committee

This committee is responsible to the Board for the establishment of internal control and risk management systems. It meets quarterly to review expenditure and to ensure adherence to laid down regulations with regard to the management of public funds. They also audit reports and guide the Management on continual improvement and elimination of qualified audits.

Role of the Board of Directors

The role of the Board of Directors, as guided by the State Corporations Act is to provide overall policy direction and leadership by reviewing the Centre's long and short term plans and strategizing on how to mobilize resources. It provides effective leadership and control to ensure realization of the Centre's mandate and the country's long term development goals. It monitors the Centre's plans and strategies. It ensures prudent management of the Centre's resources, reviews the risk management strategies in place while ensuring adherence to laid down government regulations and policies.

The Board also guides the Centre's Human Resource Management plans and determines appointment to top level management positions. It also determines remuneration and career progression of staff to ensure uninterrupted operations at the Centre.

Every quarter, the Board meets to deliberate reports from the committees. The Board has an annual calendar of scheduled meetings which is developed at the beginning of the year.

Board evaluation

It is a statutory requirement to have the Board evaluated. The Board was evaluated during the review period. This is vital in improving Board performance.

Directors' remunerations

In accordance with the State Corporations Act and SCAC guidelines, the Directors are paid a taxable sitting allowance for every meeting attended. They are further paid accommodation and mileage allowance where applicable. The Chairperson is paid a taxable monthly honorarium.

Statement of Compliance

The Board of Directors confirm that the Centre has throughout the year under review complied with statutory and regulatory requirements and that the Centre has been managed in accordance with the principles of corporate governance.

Internal control and risk management

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The Directors are responsible for reviewing the effectiveness of the Centre'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 maintenance of proper accounting records and reliability of financial information used within the business or for publication. These controls are designed to manage rather than to eliminate the risk of failure to achieve business objectives due to circumstances which may be reasonably foreseen and can only provide reasonable but not absolute assurance against material misstatement or loss.

Organization structure

The Centre has an organization structure which clearly defines lines of authority and responsibility. The professionalism and competence of staff will be maintained through a rigorous program of training and performance appraisal. Training plans will be developed to ensure staff acquire and maintain relevant skills to ensure professional management of the Centre.

Strategic Plan

The Centre developed a five-year strategic plan. The strategic plan will form the basis for the development of annual budgets and work plans while maintaining strategic focus to ensure realization of the Centre's long term goals.

Internal control framework

The Centre will continue to review its internal control mechanisms to ensure it maintains a strong and effective internal control environment. Business processes and controls will be reviewed on an ongoing basis. A risk base audit plan which provides assurance over key business processes and operational financial risks facing the Centre will be approved by the Audit and Risk Management Committee. Where risks are identified the Audit Committee will ensure the Management takes appropriate action.

Risk Management

The Centre will have a structure to help identify, assess and manage risks. This process was not available during the review period. The Management team will review all the identified risks and update the risk register and ensure that all new and emerging risks are appropriately dealt with.

The Management team

The management team implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that they are effectively and efficiently achieved. These action plans are in the form of Annual work plans, budgets, procurement plans and performance contracts.

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8. MANAGEMENT DISCUSSION AND ANALYSIS

Centre has relied on grants from the Government to support its activities. The Regional Centre's mandate is to spearhead education, training, and research on groundwater resources in the region. During the review period, the Board guided the Centre in carrying out programmes geared towards implementing the Centre's Strategic Plan, 2020-2021 activities. Some of the key achievements includes:

a) Promotion of Knowledge on Groundwater Resources by

- Participated in water forums such as World Water Week, 9th Water Forum pre-conference, IGAD-Horn of Africa Forum and AMCOW Groundwater Capacity Building.
- Conducted four (4) Groundwater awareness forums for 20 Catchments from Rift valley, Ewaso Ng'iro North, Tana and Athi Basin areas to promote knowledge on Groundwater Resources Management.

b) Build capacity on Managed Aquifer Recharge by:

- Collected preliminary data to determine Managed Aquifer Recharge (MAR) potential Athi Catchment basin.
- Conducted two virtual training sessions at National and Regional level. The two sessions were aimed at equipping the Groundwater professionals with knowledge on Managed Aquifer Recharge (MAR) technology geared towards initiating pilot projects at National and Regional Level.

c) Establishment of Linkages and Collaboration with leading Universities and other research institutes

- Established MoU with International Center for Water Security and Sustainable Management (UNESCO_i-WSSM).The Memorandum of Understanding between RCGW and International Centre for Water Security and Sustainable Management (i-WSSM) was formulated awaiting signing.
- Collaborative frameworks with Jomo Kenyatta University of Agriculture and Technology (JKUAT) and University of Nairobi Institute of Nuclear Science were developed.

d) Implementation of comprehensive Water Sector Assessment towards the Sustainable Management of Water Resources:

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The Centre managed to identify the hydrological information gaps, human capacity gaps, technological and infrastructural gaps at national and basin level and optimum methodology for utilizing nuclear science applications in groundwater resources assessment ie use of isotope hydrology techniques

e) Contribution to Water Scientific Research Led Publication

- Conducted a Groundwater assessment, development and water quality determination exercise in the Timau Catchment in the Ewaso Ng'iro Basin and developed a scientific research-based publication paper on Groundwater management.

Developed a technical information article on Groundwater Resources based on the Timau sub catchment Groundwater assessment findings i.e Installation of data loggers for purposes of continued research, Wet season sampling for months of March and May, River discharge measurements and water rest level data and Confirmation of Geophysical conditions.

f) Training of Trainers of Trainers

- Engaged forty-nine (49) Groundwater professionals in Managed Aquifer Recharge (MAR) and Groundwater Management training.

g) Establishment of Groundwater Database and knowledge Management System

- Developed a report on Groundwater Database Needs Assessment to inform the establishment of Centre's groundwater database.
- Acquired an office space for the Groundwater Database Management System.

h) Development of Research Proposals/ Concept Papers for Partnership and Resource Mobilization

- Developed project draft proposals/ concepts on;
 - Managed Aquifer Recharge (MAR) for climate change adaption and mitigation, geared towards Groundwater availability and sustainability has been developed targeting resource mobilisation through Green Climate Fund (GCF). The draft proposal was then submitted to a team of experts from centre and other government institutions for fine tuning before it was finally finalized in a workshop in Naivasha. The Project proposal is therefore in line with GCF format and is awaiting submission to The National Treasury through the Ministry.

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- Timau Water Resources assessment geared towards assessment and resource mobilization for addressing the water resources challenges affecting the Timau Water users. Some of these included provision of solar energy for borehole pumping as well as drilling of new boreholes.
- Nakuru Town Waste and Storm Water Management Programme for management of waste and storm water through Mar technology
- The Study of Radon Distribution in Groundwater within the Nairobi Aquifer System.
- Concept note on Managed Aquifer Recharge in Nairobi City County

Concept note on Water and Sanitation project in selected North Eastern Counties and Coastal Region

i) Establishment and Operationalization of specialized Water Sector Groundwater Laboratory

- Completed the refurbishment of the proposed Laboratory. The lab was refurbished into Front office area, three offices, 2 laboratory rooms (Dry and Wet Laboratory) and a store.
- Furnished the Laboratory, installed one (1) deionizer, two (2) ion chromatography machines, their accessories and software and trained five (5) staff on the use of the equipment.

j) Provision of Consultancy Services on Management and Development of Groundwater Resources.

- Finalized the Centre Marketing Strategy document.

k) Assessment and Development of Groundwater and Determination of Water Quality

- Conducted initial hydrogeological, hydro-chemical and hydrological assessment in Loitokitok and hydrological assessment in the farms south of Rhombo, Loitokitok both exercises done in Athi Basin Area including groundwater quality and isotope sampling.
- Conducted preliminary hydrogeological and hydrological assessment in Rift Valley basin through interaction with various Centre's stakeholders.
- Conducted groundwater assessment in Nairobi aquifer in the Athi Basin Area and the following activities accomplished under this assessment:
 - Carried out preliminary assessment on MAR suitability
 - Conducted data consolidation on MAR suitability
 - Established a database on boreholes on Athi Basin
- Conducted hydrogeological assessment in Timau Catchment, Ewaso Ng'iro North Basin Area where the following activities were done:

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9. ENVIRONMENTAL AND CORPORATE SOCIAL SUSTAINABILITY REPORTING

The Regional Centre on Groundwater resources Education Training and Research exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant services, and improving operational excellence. Below is an outline of the Centre's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Centre is regional in its scope of coverage and it is one of its kind. The top management is keen in ensuring that sustainable strategies are put in place to edge against unfavorable Social-political and macroeconomic volatility that may have negative impact to Centre's operation and also existence. Sustainable priorities, reference to international best practices is observed.

ii) Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

iii) Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

iv) Market place practices-

The Centre has made efforts to:

a) Responsible competition practice.

The Centre gives fair chance to all their Suppliers regardless of their race, ethnicity or Disability. Market surveys are always done before settling on Suppliers.

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- 22 hydrogeological profiles conducted
- 15 water rest levels measurements taken
- hydrogeological and hydrological assessment in Sasumua sub-catchment in Tana Basin Area and sampled for both isotope and water chemical analysis.
- Sampled 36 water quality and 35 stable isotopes in Tana, Athi and Ewaso Nyiro Basin Area and 55 groundwater supply sources in Tana, Ewaso Nyiro and Rift Valley Basin Area.
- Analyzed 44 water quality samples from the collected samples from some of the 40 groundwater supply sources in Tana, Athi, Ewaso Nyiro and Rift Valley Basin.

Major risks facing the Centre

Operational risk: - staff shortage

Finance risk: - limited resources and inadequate funding from the government and partners

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b) Responsible Supply chain and supplier relations

The Centre maintains a cordial relationship with its suppliers through fair competition in awarding of jobs as stipulated in Public Procurement and Disposal Acts and other relevant regulations. Prompt payment is made upon invoicing.

c) Responsible marketing and advertisement

Through the Centers social Media pages, some research knowledge has been disseminated to the public thus creating awareness.

d) Product stewardship

Clients research information is ethically and properly kept; Information is only shared to third party upon authorization.

v) Corporate Social Responsibility / Community Engagements

Under the year under review the Centre participated during the world water day Celebration that was held in Kibirichia (Meru County) on 22nd March 2021 where 2000 tree seedlings were planted in Kibirichia Secondary school and Timau catchment. Sanitary Towels were also donated to girls' schools neighboring the region. Also public awareness on groundwater occurrence, status and its pollution vulnerability information was shared by the Centre Technical team to residents of Timau Catchment in Nanyuki Region

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10. REPORT OF THE DIRECTORS

The Directors submitted their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Centre's affairs.

i) Principal activities

The principal activity of the Board is to guide the Regional Centre in fulfilling its mandate of education, training and research on groundwater resources.

ii) Results

The results of the Centre for the year ended June 30, 2021 are set out on page 1.

iii) Directors

The members of the Board Directors who served during the year are shown in the table below. During

S/N	Name	Organization	Appointment Date	Designation
1	Cyrus Mwaniki	Independent	3 rd May 2019	Member
2	Dr. Susan M. Musyoka	Independent	3 rd May 2019	Member
3	Dr Peter Waweru Kamaku	Independent	3 rd May 2019	Member
4	Dr. Salome Guchu	Ministry of Education	29 th March 2016	Member
5	Mr. Moses Kanagi	National Treasury	29 th March 2016	Member
6	Mr. Gichangi Wotuku	MWS&I	12 th July 2019	Member
7	Paul N Muthama	Kenya Water Institute	14 th August 2019	Member
8	Doris Mwangi	NWH&SA	30 th November 2019	Secretary to the Governing

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iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. *The Centre did not make any surplus during the year (FY 2020 Ksh Nil) and hence no remittance to the Consolidated Fund.*

v) Auditors

The Auditor General is responsible for the statutory audit of the Regional Centre on Groundwater Resources Education, Training and Research in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2021.

By Order of the Board



Doris Mwangi

Ag. Corporate Secretary

Regional Centre on Groundwater

Resources Education Training and Research

Date:13/04/2022.....

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

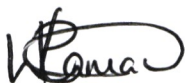
Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act*) require the Board of Management to prepare financial statements in respect of Regional Centre on Groundwater Resources Education Training and Research, which give a true and fair view of the state of affairs of the Institution at the end of the financial year/period and the operating results of the Centre for that year/period. The Board of Management Members are also required to ensure that the Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Centre. The Chief Executive Officer is also responsible for safeguarding the assets of the Centre.

In this regard RCGW Board of Management caused preparation of these financial statements in conformity with the applicable laws and guidelines. The Centre has also ensured that proper records which disclose reasonable accuracy and financial position of the institution have been provided. The Centre accepts responsibility of its financial statements and confirm the appropriateness of the accounting policies applied.

Nothing has come to the attention of the Chief Executive Officer to indicate that the Centre 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 Centre's financial statements were approved by the Board on 27/09/20 2021 and signed on its behalf by:



Dr. Peter W. Kamaku
Chairperson, Board of Management

Date:.....

13/04/2022



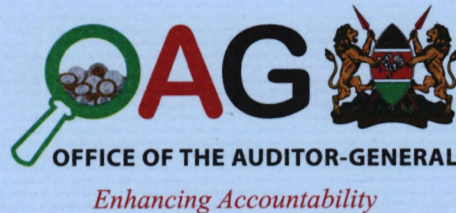
Agnes W. Mbugua.
CEO RCGW

Date:.....

13/04/2022

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON REGIONAL CENTRE ON GROUNDWATER RESOURCE EDUCATION, TRAINING AND RESEARCH IN EASTERN AFRICA FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Regional Centre on Groundwater Resource Education, Training and Research in Eastern Africa set out on

Report of the Auditor-General on Regional Centre on Groundwater Resource Education, Training and Research in Eastern Africa for the year ended 30 June, 2021

pages 1 to 29, which comprise of the statement of financial position as at 30 June, 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, the financial statements present fairly, in all material respects, the financial position of Regional Centre on Groundwater Resource, Education, Training and Research in Eastern Africa as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Legal Notice No. 252 of 18 December, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Regional Centre on Groundwater Resource Education, Training and Research in Eastern Africa Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis of Kshs.69,000,000 and Kshs.51,499,996 respectively resulting to an under-funding of Kshs.17,500,004 or 25% of the budget. Similarly, the Centre spent Kshs.53,130,040 against a budget of Kshs.69,000,000 resulting to an under-expenditure of Kshs.15,869,960 or 23% of the budget. The underfunding and underperformance affected the planned activities of the Centre and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

Report of the Auditor-General on Regional Centre on Groundwater Resource Education, Training and Research in Eastern Africa for the year ended 30 June, 2021

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Recruitment of Staff

The Centre's Human Resource Policy Manual, 2019 provides for staff establishment of eighty (80) members. However, the Centre has been relying on staff members deployed from the parent Ministry to run its operations with the exception of the Chief Executive Officer and four (4) others. Review of available Information revealed that, the Management has no authority to conduct recruitment of its own staff. The under staffing may hinder effective delivery of services due to poor segregation of duties among the staff.

In the circumstances, the Management is in breach of the Centre's human resource policy and the Legal Notice No. 252 of 18 December, 2015 which established the Centre.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of an Information and Communication Technology (ICT) Policy

Assessment of the Information Technology (IT) Internal Control system in place at the Center revealed that the Center had not prepared and implemented an ICT Policy as required by the Code of Governance for State Corporations. An ICT Policy would give guidance on how to ensure confidentiality, integrity and availability of the entity's data. Additionally, there was no documented and tested Disaster Recovery Plan in place to provide guidance in the event of an ICT-related emergency. Further, there is no established Information Technology Strategic Committee to oversee its ICT operations.

Consequently, the confidentiality and integrity of the Centre's data and preparedness of disaster recovery could not be confirmed.

2. Lack of a Risk Management Policy

Review of the internal control system in place at the Center revealed that the Management has not established a Risk Management Policy to identify, mitigate and control operational and other risks that the Center may face from time to time. In addition, the Center has not carried out risk assessment to identify and address key areas of concern and document specific controls in response to any risks identified. This is contrary to the provisions of Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which requires an Accounting Officer of national government entity to develop risk management strategies which include fraud prevention mechanisms and a system of risk management and internal control that build robust business operations.

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

Responsibilities of Management and the Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the Centre's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of 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 Centre policies and procedures may deteriorate.

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

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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

19 July, 2022

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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Ministries, Departments and Agencies	6	51,499,996	45,000,000
Total revenue		51,499,996	45,000,000
Expenses			
Use of goods and services	7	31,929,574	15,246,126
Employee costs	8	10,152,402	13,005,258
Remuneration of Directors	9	5,164,912	6,212,104
Depreciation and amortization expense	10	2,671,193	678,900
Repairs and maintenance	11	30,000	192,744
Contracted services	12	3,181,959	204,740
Total expenses		53,130,040	35,539,872
Surplus (Deficit) for the Year		(1,630,044)	9,460,128

The notes set out on pages 6 to 28 form an integral part of these Financial Statements



Chief Executive Officer
Agnes W. Mbugua



Assistant Accountant General
CPA John Mbugua

ICPAK Member Number: 12614



Chair, Board of Management
Dr. Peter W. Kamaku

Date: 13/04/2022

Date: 13/04/22

Date: 13/4/2022

Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa
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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	13	9,233,326	10,229,563
Total Current Assets		9,233,326	10,229,563
Non-current assets			
Property, plant and equipment	14	20,598,640	3,199,337
Total Non- Current Assets		20,598,640	3,199,337
Total assets		29,831,966	13,428,900
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	616,649	1,551,990
Non Current liabilities			
Deffered Income	16	3,968,451	-
Total liabilities		4,585,100	1,551,990
Net assets			
Revenue reserves		25,246,866	11,876,910
Total net assets		25,246,866	11,876,910
Total net assets and liabilities		29,831,966	13,428,900

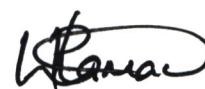
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Management by:



Chief Executive Officer
Agnes W. Mbugua



Assistant Accountant General
CPA John Mbugua
ICPAK Member Number: 12614



Chair, Board of Management
Dr. Peter W. Kamaku

Date...13/04/2022

Date...13/04/22

Date...13/04/2022

Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa
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15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Note	Revenue Reserves	Total
		Kshs	Kshs
At June 30, 2019		3,112,782	3,112,782
At July 1, 2019		3,112,782	3,112,782
Addition for the period		-	-
Surplus/(deficit) for the period		9,460,128	9,460,128
Audit fee adjustment		(696,000)	(696,000)
At June 30, 2020		11,876,910	11,876,910
Balance as at 1st JULY 2020		11,876,910	11,876,910
Development grants received		15,000,000	-
Surplus(deficit) for the period		(1,630,044)	(1,630,044)
		25,246,866	25,246,866

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2020-2021	2019-2020
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	51,499,996	45,000,000
Total Receipts		51,499,996	45,000,000
Payments			
Use of goods and services	7	31,929,574	15,246,126
Employee costs	8	10,152,402	13,005,258
Remuneration of directors	9	5,164,912	6,212,104
Depreciation and amortization expense	10	2,671,193	678,900
Repairs and maintenance	11	30,000	192,744
Contracted services	12	3,181,959	204,740
Total Payments		53,130,040	35,539,872
Cash flows from/(used in) operating activities		(1,630,044)	9,460,128
Adjust for;			
Increase in payables		(1,202,698)	211,081
Adjustment for Depreciation		2,671,193	678,900
Increase in capital funds		15,000,000	-
Prior year Adjustment	17	-	(696,000)
Net cash flows from/(used in) operating activities	18	14,838,451	9,654,109
Cash flows from investing activities			
Purchase of property, plant, equipment, and intangible assets	19	(15,834,688)	(2,366,430)
Net cash flows from/(used in) investing activities		(996,237)	7,287,679
Net increase/(decrease) in cash and cash equivalents		(996,237)	7,287,679
Cash and cash equivalents at 1 JULY	13	10,229,563	2,941,884
Cash and cash equivalents at 30 JUNE	13	9,233,326	10,229,563

Regional Centre on Groundwater Resources Education Training & Research in Eastern Africa
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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 30 JUNE 2021

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Difference in %	Explanation
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs		
Government grants and Other Donations	69,000,000	-	69,000,000	51,499,996	17,500,004	75%	a)
Total income	69,000,000	-	69,000,000	51,499,996	17,500,004		
Expenses							
Use of goods and services	49,705,104	-	49,705,104	31,929,574	17,775,530	64%	b)
Employee cost	9,982,000	-	9,982,000	10,152,402	(170,402)	102%	
Remuneration of Directors	5,652,896	-	5,652,896	5,164,912	(487,984)	91%	
Depreciation and Amortization expense	-	-	-	2,671,193	(2,671,193)	0%	c)
Repairs and maintenance	1,060,000	(800,000)	260,000	30,000	(230,000)	12%	d)
Contracted services	2,600,000	800,000	3,400,000	3,181,959	(218,041)	94%	
Total expenditure	69,000,000	-	69,000,000	53,130,040	15,869,960		
Surplus for the period				(1,630,044)			

Explanations.

- a) The variance resulted from Budget cuts. Only Half of the approved Development Budget of Kshs 35,000,000 and full allocation Kshs 34,000,000 Recurrent disbursed.
- b) The variance resulted from disbursement of funds for equipping laboratory and finalizing civil works. Last tranche of Recurrent funds and final disbursement of Development budget (Second quarter) received at the end of the financial year.
- c) The variance resulted from Un-budgeted Depreciation expense
- d) The variance resulted from Repairs and maintenance budget re-allocated to necessary contracted services (Board insurance and cleaning) since the budgeted acquisition of Motor vehicle cancelled due to budget cut

18. NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Regional Centre on Groundwater Resource Education Training and Research is established by and derives its authority and accountability from public finance management Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's Principal activity is to carry out research, capacity building and civic education on groundwater resources.

2. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying RCGW'S accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

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

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

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3. Adoption of new and revised standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

Standard	Impact
Other Improvements to IPSAS	Applicable: 1st January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks. b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved. c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity;

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Standard	Effective date and impact:
	(b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021

4. Summary of significant accounting policies

a) Revenue recognition

i. Revenue from non-exchange transactions

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

b) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly on 9th June, 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the Centre did not record additional appropriations for the 2020-2021 budget.

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 17 of these financial statements.

c) 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 Entity 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.

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d) Property, plant and equipment

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

e) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

f) Financial instruments

a) 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 Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

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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.

Held-to-maturity.

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are 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. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity 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 a 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:

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

b) 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 Entity determines

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

g) Inventories

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

h) Provisions

Provisions are recognized when the Entity 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 Entity 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.

i) Contingent liabilities

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

j) Contingent assets

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

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

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.

m) 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.

n) 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.

o) Related parties

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

p) 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 Entity 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 Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) Cash and cash equivalents

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

r) Comparative figures

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

s) 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, 2021.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

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

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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from Ministries, Departments and Agencies (MDAs)

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 transfers 2020/21	Prior year 2019/2020
			KShs	KShs	KShs
Ministry of Water Sanitation & Irrigation	51,499,996	-	-	51,499,996	45,000,000
Total	51,499,996	-	-	51,499,996	45,000,000

7. Use of Goods and Services

Description	2020-2021	2019-2020
	KShs	KShs
Advertising	-	940,382
Admin fees	2,113,866	1,124,571
Audit fees	348,000	616,649
Conferences and delegations	2,605,816	1,807,066
Consulting fees	-	500,000
Consumables/Hospitality	597,576	448,070
Local travel/Subsistence	4,109,140	648,400
Fuel and oil	781,152	150,000
Subscription to professional body	32,200	25,200
Training	161,300	90,000
Telecommunication	337,358	29,500
Postage	9,450	-
Printing and stationery	798,802	672,654
Rental	10,844,775	6,594,002
Bank charges	87,867	27,679
Research	8,462,297	-
Medical insurance Cover	-	1,840,602
Social Club Subscription	540,000	-
Office Repairs and Maintenance	99,975	-
Total	31,929,574	15,246,126

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. Employee Costs

Description	2020-2021	2019-2020
	KShs	KShs
Salaries and wages	8,508,727	6,460,698
Employee related costs - contributions to pensions and medical aids	634,675	590,881
Travel, motor car, accommodation, subsistence, and other allowances	14,000	5,254,034
Housing benefits and allowances	995,000	699,645
Employee costs	10,152,402	13,005,258

- Travel, motor car, accommodation, subsistence, and other allowances cost for F/Y 2020-21 moved to Local travel/subsistence in use of goods and services(note 7).

9. Board /Council Expenses

Description	2020-2021	2019-2020
	KShs	KShs
Chairman/Directors' Honoraria	-	960,000
Sitting allowances	3,320,000	3,534,400
Induction and Training	60,000	-
Travel and accommodation	341,312	-
Mileage allowance	-	547,219
Subsistence allowance and meetings facilitation	1,443,600	1,170,485
Total	5,164,912	6,212,104

- Mileage allowance for F/Y 2020-21 moved to Travel and accommodation in Board expenses.

10. Depreciation and Amortization Expense

Description	2020-2021	2019-2020
	KShs	KShs
Property, plant and equipment	2,671,193	-
Computers	-	406,601
Furniture and Equipments	-	272,299
Total depreciation and amortization	2,671,193	678,900

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Repairs and Maintenance

Description	2020-2021	2019-2020
	KShs	KShs
Vehicles	30,000	192,744
Total repairs and maintenance	30,000	192,744

12. Contracted Services

Description	2020-2021	2019-2020
	KShs	KShs
Motor vehicle insurance	7,534	-
Medical insurance	1,651,616	-
Contracted cleaning services	1,522,808	204,740
Total contracted services	3,181,959	204,740

13. Detailed Analysis of the Cash and Cash Equivalents

		2020-2021	2019-2020
Financial institution	Account number	KShs	KShs
a) Current account			
Kenya Commercial bank (Rec)	1198339578	109,264	10,228,663
Kenya Commercial bank (Dev)	1278105972	9,123,162	-
Sub- total		9,232,426	10,228,663
Others(specify)			
cash in hand		900	900
Sub- total		900	900
Grand total		9,233,326	10,229,563

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. Property, Plant and Equipment

	Furniture and fittings	Computers	Equipment, Camera and others	Total
20. Property, plant, and equipment	Rate: 12.5%	Rate: 33.333%	Rate: 25%	
Cost	Shs	Shs		Shs
At 1st July 2019	1,647,990	1,158,600	-	2,806,590
Additions	2,121,570	244,860	-	2,366,430
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
As at 30th June 2020	3,769,560	1,403,460	-	5,173,020
Additions	11,188,867	4,326,975	4,554,654	20,070,496
Disposals	-	-	-	-
At 30th June 2021	14,958,427	5,730,435	4,554,654	25,243,516
Depreciation and impairment				
At 1 July 2019	393,659	901,124	-	1,294,783
Charge for the year	272,299	406,601	-	678,900
At 30 June 2020	665,958	1,307,725	-	1,973,683
Depreciation	968,704	1,436,346	266,143	2,671,193
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30 June 2021	1,634,662	2,744,071	266,143	4,644,876
Net book values				
At 30 June 2021	13,323,765	2,986,364	4,288,511	20,598,640
At 30 June 2020	3,103,602	95,735	-	3,199,337

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Trade and Other Payables

Description	2020-2021	2019-2020
	KShs	KShs
Accrued Rent	-	-
Accrued Audit fees		696,000
Accrued WHT	-	113,149
Accrued PAYE	249,157	
Salaries	-	577,352
Employee related cost	13,400	70,489
Directors Emoluments	-	95,000
Third-party payments	354,092	-
Total trade and other payables	616,649	1,551,990

16. Deferred Income

Description	2020-2021	2019-2020
	KShs	KShs
International funders	3,968,451	-
Total deferred income	3,968,451	-

The deferred income relates to donated Laboratory Equipment by IAEA Valued at Kshs 4,235,809 less wear and tear charge of Kshs 267,358.

17. Years Adjustment

Description	2020-2021	2019-2020
	KShs	KShs
Audit fee	-	(696,000)
Total	-	(696,000)

18. Cash Generated from Operations

Description	2020-2021	2019-2020
	KShs	KShs
Surplus for the year before tax	(1,630,044)	9,460,128
Adjusted for:		
Prior year Audit fee	-	(696,000)
Increase in capital funds	15,000,000	
Depreciation	2,671,193	678,900

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Description	2020-2021	2019-2020
	KShs	KShs
Working Capital adjustments		
Increase in payables	(1,471,347)	211,081
Net cash flow from operating activities	14,838,688	9,654,109

19. Purchase of Property plant, Equipment and intangible assets

Description	2020-2021	2019-2020
	KShs	KShs
Furniture & Fittings	11,188,867	2,121,570
Computer	4,201,255	244,860
Equipment	444,566	-
Total	15,834,688	2,366,430

20. Financial Risk Management

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

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

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

The board of directors sets the entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2021				
Trade payables	616,649	-	-	616,649
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	616,649	-	-	616,649
As at 30 June 2020				
Trade payables	1,551,990	-	-	1,551,990
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	1,551,990	0	0	1,551,990

iii) Market risk

The Centre has put in place an internal audit function to assist it in assessing the risk faced by the organization on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

The Centre's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

to-day implementation of those policies. There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Centre's market assumptions. These two types of inputs have created the following fair value hierarchy:

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- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Centre considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

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

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	-	-
Retained earnings	25,730,150	11,876,910
Capital reserve	-	0
Total funds	25,730,150	11,876,910
Total borrowings	-	-
Less: cash and bank balances	(9,233,326)	(10,229,563)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	0%	0%

21. Related Party Disclosures

Nature of related party relationships

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

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Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i. The Parent Ministry.

22. Events after the Reporting Period

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

23. Ultimate And Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Water Sanitation & Irrigation Its ultimate parent is the Government of Kenya.

24. Currency

The financial statements are presented in Kenya Shillings (Kshs).

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APPENDIX

APPENDIX 1: 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.

Reference No. on the external audit Report	Issue Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
n/a	n/a	n/a	n/a	n/a


 Chief Executive officer.

Date... 13/04/2022

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

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. Evaluation of surface and Ground water interaction using Isotope technology	1109116000	-	4 Years	-	No	Yes
2. Establish Aluminum residue in drinking water	1109116200	-	4 Years	-	No	Yes

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Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	Evaluation of surface and Groundwater interaction using Isotope technology	400M	7.5M	2%	15M	7.5M	Gok
2	Establish Aluminum residue in drinking water	300M	10M	3%	20M	10M	Gok

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APPENDIX II: INTER-ENTITY TRANSFERS

REGIONAL CENTRE ON GROUNDWATER RESOURCES EDUCATION TRAINING AND RESEARCH				
Break down of Transfers from the State Department of Water and Sanitation				
FY 2020/2021				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	The Amounts relate to FY
		02/09/2020	2,833,333	2020/2021
		08/09/2020	2,833,333	2020/2021
		05/10/2020	2,833,333	2020/2021
		06/11/2020	2,833,333	2020/2021
		07/12/2020	2,833,333	2020/2021
		08/01/2021	2,833,333	2020/2021
		04/02/2021	2,833,333	2020/2021
		05/03/2021	2,833,333	2020/2021
		09/04/2021	2,833,333	2020/2021
		05/05/2021	2,833,333	2020/2021
		23/06/2021	2,833,333	2020/2021
		30/06/2021	2,833,333	2020/2021
		Total	33,999,996	
b.	Development Grants	Bank Statement Date	Amount (KShs)	The Amounts relate to FY
		21/09/2020	8,750,000	2020/2021
		30/06/2021	8,750,000	2020/2021
		Total	17,500,000	

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

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Accounting Officer

Regional Centre on Groundwater
Resources Education Training and Research

Sign: _____



Head of Accounting Unit

Ministry of Water, Sanitation and
Irrigation

Sign: _____

