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majority party, Hon
Aden Duale on
Wednesday 27.7.16
[Signature]*

OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA WATER TOWERS AGENCY**

**FOR THE YEAR ENDED
30 JUNE 2015**

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Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

KENYA WATER TOWERS AGENCY

FINANCIAL STATEMENTS

**FOR YEAR ENDED
30TH JUNE 2015**

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



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

Table of Contents

1. Key Entity Information and Management.....	1-4
2. Board of Directors.....	5-6
3. Key Management Team.....	7-9
4. Chairman's Statement.....	10-11
5. Report of the Chief Executive Officer.....	12
6. Corporate Governance Statement.....	13-15
7. Corporate Social Responsibility Statement.....	16
8. Statement of Directors Responsibilities.....	17
9. Approval of Financial Statements.....	18
10. Statement of Financial Performance.....	19
11. Statement of Financial Position.....	20
12. Statement of Changes in Net Assets.....	21
13. Statement of Cashflows.....	22
14. Statement of comparison of Budget and Actual Amounts.....	23
15. Notes to the Financial Statements.....	24-41



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

I. KEY ENTITY INFORMATION AND MANAGEMENT

WHO WE ARE

The Kenya Water Towers Agency is a State Corporation under the Ministry of Environment, Natural Resources and Regional Development Authorities. It was established in 2012 vide Kenya Gazette Supplement No: 27, legal notice no: 27 on 20th April, 2012.

OUR VISION

A global leader in sustainable management of water towers.

OUR MISSION

To sustainably manage water towers and their ecosystems through coordination and conservation for socio-economic development.

OUR MANDATE

To co-ordinate and oversee the protection, rehabilitation, conservation, and sustainable management of water towers.

CORE VALUES

We shall be guided by the following core values, which provide an integrated focus towards enhancing provision of acceptable quality service. They are summarised in an acronym DEPITS.

- Diligence
- Equity
- Professionalism
- Integrity
- Teamwork
- Sustainability

i) Strategic Objectives

- To coordinate water towers ecosystem health and resilience.
- To coordinate and oversee securing of catchment lands, wetlands and critical biodiversity hotspots within the water towers ecosystems.
- To acquire appropriate infrastructure to support sustainable management of water towers.
- To promote sustainable livelihood support programmes within the water towers.
- To establish strategic partnerships and linkages for sustainable management of water towers.
- To undertake institutional strengthening for effective service delivery.



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

ii) Key Management

The day-to-day management of Kenya Water Towers Agency is entrusted to the Chief Executive Officer who is the Secretary to the Board. The Chief Executive Officer is assisted by a management team of four (4) Directors backed by one (1) Deputy Director, three (3) Assistant Directors, the Head of Finance and Accounts, the Head of Internal Audit, Head of Supply Chain Management, Head of Human Resource and Head of ICT.

iii) Fiduciary Management

It is run by a Nine (9) member Board of Directors, comprising four (4) Government representatives, five (5) independent members appointed by name and the Chief Executive Officer of the Agency who is the Secretary to the Board.

iv) Fiduciary Oversight Arrangements

BOARD OF DIRECTORS

1. Chairman
2. Principal Secretary – National Treasury
3. Principal Secretary - Ministry of Environment, Water and natural resources
4. Principal Secretary - Ministry of Environment, Water and natural resources (Formerly ministry of Water and Irrigation)
5. Principal Secretary – Ministry of Energy and Petroleum
6. Four (4) independent directors
7. Chief Executive Officer – Secretary to the Board

The Board of Directors is responsible for formulating the Agency's vision, realisation of its mission and achievement of strategic objectives in line with the approved strategic plan.

Board Committees

The Board has Three (3) Committees with specific delegated authorities. These are the Board Audit Committee, the Board Finance and Administration Committee and Technical Committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. The composition of each committee is shown below;

FINANCE AND ADMINISTRATION COMMITTEE

1. Chairperson - Independent
2. One (1) Private Sector Representative
3. Principal Secretary - Ministry of Environment Natural Resources and Regional Development Authorities..
4. Principal Secretary - Ministry of Water and Irrigation.



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

5. Principal Secretary- National Treasury

6.

The main function of the Finance and Administration Committee is policy oversight and effective management of Finance, Human Resource and administrative functions.

AUDIT COMMITTEE

1. Chairperson - Independent
2. One (1) Independent
3. Principal Secretary – National Treasury
4. Principal Secretary - Ministry of Energy and Petroleum.

The Audit evaluates and recommends policies on the Agency's internal controls and financial propriety as well as risk management, review matters connected with audits and the provision of assurance regarding internal controls.

TECHNICAL COMMITTEE

1. Chairperson - Independent
2. One (1) Independent
3. Principal Secretary - Ministry of Environment, Natural Resources and Regional Development Authorities.
4. Principal Secretary – Ministry of Energy and Petroleum
5. Principal Secretary- Ministry of Water and Irrigation

The technical, is responsible for ensuring; policy oversight, operational and legal compliance, advising the Board on proposed subsidiary legislation, effective management of water towers, effective organisational structures for water towers areas as well as approvals of technical policies, strategies and systems.

v) Headquarters

Post Office Box 42903 – 00100,
General Post Office,
N.H.I.F Building 15th Floor,
Ragati Road, Upperhill,
Nairobi - Kenya.

vi) Contacts

Telephone: (254) 020 2711437
E-mail: info@kwta.go.ke.



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

vii) Principal Bankers

NIC Bank
NIC House, Masaba Rd
P.O. Box 44599-00100,
Tel: +254-20-2888000
Fax: +254-20-2888505/2888513
E-mail: info@nic-bank.com
Website: www.nic-bank.com

Kenya Commercial Bank
Capital Hill Branch
P.O. Box 69695-00400
Tel: +254-20-
2737103/2720208/2720207
Fax: +254-20-2737107
E-mail: capitalhill@kcb.co.ke
Website: www.kcbbankgroup.com

National Bank of Kenya
Hill Plaza Branch
P.O. Box 45219-00100
Te: +254(0)202722211
E-mail: hill@nationalbank.co.ke
Website: www.nationalbank.co.ke

viii) Independent Auditors

Auditor General
Anniversary Towers, University Way
P.O. Box 30084 – 00100,
GPO, Nairobi.
Tel: +254-20-2227383,
Fax: +254-20-311482
E-mail: cag@kenao.go.ke,
Website: www.kenao.go.ke

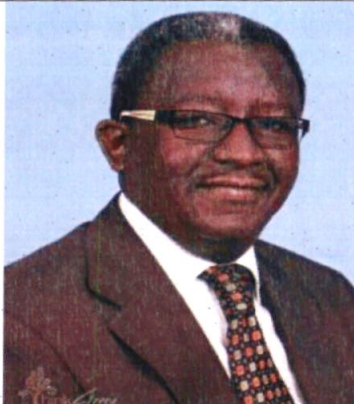


xi) Principal Legal Adviser

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



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

II. THE BOARD OF DIRECTORS

 <p>DR. Isaac Kalua MBS, HSC Chairman of the Board</p>	<p>Dr. Kalua is an Environmentalist and the Founder/Chairperson of Green Africa Foundation, a non-governmental organization that for over a decade has been championing the conservation of environment, forests and natural resources in Kenya and in the continent of Africa. He is also a distinguished entrepreneur with national and international acclaim. He has a passion of developing young talents, especially in social entrepreneurship. He is also the chairperson of Honda Motorcycle Kenya Limited. Appointed to the Board on 1st March, 2013.</p>
 <p>Francis M. Nkako HSC, OGW, ndc (K) Ag Chief Executive Officer</p>	<p>Mr. Nkako is the Ag Chief Executive Officer of the Agency and Secretary to the Board. He is a career environmentalist with a Masters Degree of Science from the University of Wales and a Bachelor's Degree in Biological science with a major in ecological studies with over twenty eight (28) years experience in the field. He is a graduate of the National Defence College. He is also member of the East African Wildlife Society.</p>
 <p>Mr. Patrick Kokonya</p>	<p>Mr. Kokonya, has a Masters Degree in Productivity and Quality Management (MPQM) with Specialization in Productivity Improvement and Quality Management (P&Q) and Public Policy at the Development Academy of the Philippines - Graduate School of Public and Development Management. He has expertise in Results-Based Management; Performance Contracting and Management; Performance-Based Budgeting and Corporate Governance. He holds a Bachelor of Business Administration - Human Resources Management Major Option from Kenya Methodist University (KEMU). Mr. Kokonya was appointed to the Board on 1st March, 2013. He is the Chairperson of Finance and Administration Board Committee of Kenya Water Towers Agency</p>



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

 <p>Dr. Stephen Koskei</p>	<p>Dr. Koskei is the Chairperson of Board Audit Committee and a Member of Technical Committee. He holds a Doctorate in Business Management from St. Clements University and a Bachelors degree in Education Management from Irish University. He is a fellow of the Institute of Management Specialist (IMS) United Kingdom. He also holds Professional Diploma in Specialised Environmental Management among others.</p> <p>Appointed to the Board on 1st March, 2013</p>
 <p>Mrs. Jennifer Kimani MBS,HSC</p>	<p>Mrs Kimani is the chairperson Technical committee. She holds an Executive MBA in Leadership and Business development in addition to MA in populations studies, She also holds a Bachelors Degree in Educations with a long working experience in Education, Training, Research and Environmental Audit.</p> <p>Appointed to the Board on 1st March, 2013</p>
 <p>Ms. Margret Mathai</p>	<p>Ms.Mathai is a Member of Audit Committee. She holds a B.A Degree in Economics and sociology from the University of Nairobi with an extensive experience in Financial Matters having worked in the Banking industry for over 25 years. Currently She is a financial Advisor with Britam Insurance Company and a holder of Certified of Proficiency in insurance.</p> <p>Appointed to the Board on 1st March, 2013</p>



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

1. THE KEY MANAGEMENT TEAM



Francis M. Nkako HSC, OGW,
ndc (K)
Chief Executive Officer

Mr. Francis M. Nkako is the Ag Chief Executive Officer of the Agency and Secretary to the Board. He is a career environmentalist with a Masters Degree of Science from the University of Wales and a Bachelor's Degree in Biological science with a major in ecological studies with over twenty eight (28) years experience in the field. He is a member of the East African Wildlife Society.



Mr. John Sang
Deputy Chief Executive Officer

Mr. Sang is the Deputy Chief Executive Officer. He holds a Bachelors of Science degree in Agriculture from the University of Nairobi with a working experience of thirty eight (38) years in the field.



Mr. Stanlaus Muthaka Gachara
Director -Water Towers
Watershed and Climate Change

Mr. Gachara is in charge of Water Towers Watershed and Climate Change. He is a career meteorologist officer with a master's degree in Agricultural Meteorology at the university of Reading United Kingdom with a working experience of thirty five (35) years in the field. He is a member of Agrometeorological Society of Kenya.



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015



Mr. Anthony Maina
Director – Water Towers Forest,
Vegetation, Allied Resources and
Bio-diversity Conservation

Mr. Maina is in charge of Water Towers Forest, Vegetation, Allied Resources and Bio-diversity Conservation. He holds a Masters of Science in Natural Resources Management from Egerton University with a working experience of thirty four (34) years in the field.



Mr. Joseph Nzuki Mutiso
Director-Water Towers Catchment
Land, Utilization and
Management.

Mr. Mutiso is in charge of Water Towers Catchment Land, Utilisation and Management. He holds a Bachelors degree in Arts from Punjab University India with a working experience of twenty nine (29) years in the field.



Mr. Fredrick Muhoro Kairu
Deputy Director Finance and
Administration

Mr. Kairu is in charge of Finance and Administration. He holds a Bachelors of Arts Degree in Sociology and political science from the University of Nairobi with a working experience of twenty eight (28) years in the field.



Mr. Simiyu Walucho
Head of Internal Audit

Mr. Walucho is in charge of Internal Audit. He holds a masters degree in Business administration, is a certified public accountant (K), Certified Information System Audit (CISA) as well as a bachelors degree in Business Management with over ten (10) years experience. He is a member of the Institute of Certified Public Accountants (ICPAK) and a member of the Institute of Internal Audit (IIA).



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015



Mr. Kerika Ndere Loonkushu
Finance Manager

Mr. Ndere is in charge of Finance and Accounts. He holds a Bachelor of Commerce degree from University of Nairobi and a Masters degree in Business Administration (Finance) from Kenya Methodist University. He is a Certified Public Accountant CPA (K) with a working experience of over 18 years in the field.



Mrs. Racheal Kagai
Head of Human Resource

Mrs Kagai is in charge of Human Resource. She holds Higher National Diploma in Human Resource Management with a working experience of thirty one (31) years in the field.



Mr. George J. Oyugi
Head of Procurement

Mr. Oyugi is in charge of Procurement. He holds a Bachelors of Commerce degree from the University of Nairobi with a working experience of over ten (10) years in the field. He is also a member of Kenya Institute of Supply Management (KISM).

III. CHAIRMAN'S STATEMENT

The Board of Directors, Kenya Water Towers Agency (KWTA) presents financial statement for the year ended 30th June 2015. From the onset, it is important to note the financial backdrop that the Agency faced hence affecting its operations.

The Kenya Water Towers Agency (KWTA) was founded on a firm belief in the transformation of our Kenyan society towards global leadership in the Management and sustenance of our water towers, and to join those on the frontline of Kenya's environmental resource governance and management.

As a lead stakeholder, KWTA has become even more aware of our role as trustees and custodians of water towers that are rich, diverse and complex natural heritage, and that we only hold these in trust for generations to come, not only in Kenya, but also in the world.

As the Chairman of the Kenya Water Towers Agency, I have had the privilege of a wide and varied encounter in the quest to execute the mandate of the Agency. Our commitment to the sustenance of Kenya Water Towers has only deepened. We are able to draw from knowledge and technological developments to support our efforts and through this, expand our collaborators and networks. Given the urgency of the situation, we look forward to expanding the space of partnerships in the cause of sustaining water towers.

Apart from the five better known Water Towers-Mount Kenya, the Aberdare range, the Mau Forest Complex, Mount Elgon and the Cherangani Hills, Kenya has gazetted an additional thirteen others since the KWTA came into being, with an additional nine – Namanga, Gwasi, Loima, Imenti, Endau, Enoosupukia, Nandi and Mukogondo under consideration for incorporation. The governance of our Water Towers offers Kenya the opportunity to show global leadership in the management of similar resources elsewhere.

In its three years of existence, the KWTA has entered into a quest for answers, engaging individuals, professionals and institutions in its pursuit of a standard of delivery in which it can take real pride. There are major challenges along the way-some appearing as roadblocks, but the faith in the transformational capacity of the people of Kenya, given the right information and tools remains a source of encouragement. We have had the privilege of interacting with stalwarts and visionary guardians of landscape, especially our Water Towers. We have met those who mourn the loss of our numerous clear waters, our rivers and tributaries. We have also encountered those who remain indifferent to the fate of the future generations should we make the mistake of destroying the Water Towers from which they would draw their sustenance.



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

In terms of our approach, KWTA, within its Strategic Plan, has four focal areas: Water Towers management and Sustainability, Community and Global Engagement, Social Investment, and County Governance and Stewardship. An additional area that cuts across these is Communication, which will inspire social transformation with regard to the Kenya's environment.

Overall, the performance of the Agency was in line with our strategic focus. The state of the Agency is in many ways very strong despite financial and capacity challenges. The Agency envisages wise use and sustainable management of water towers in order to enhance sustenance of the ecosystems and socio-economic functions for the present and future generations.

The Agency will forge ahead into the future with conviction and confidence to consolidate as well as improve on gains made since formation.

Dr. Isaac Kalua MBS, HSC
Chairman, Board of Directors



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

IV. REPORT OF THE CHIEF EXECUTIVE DIRECTOR

I am pleased to announce the financial results of the Agency for the financial period ended on 30th June 2015.

During this period, the agency received Kshs 380,000,000.00 from GOK against the budget of Kshs 833,000,000.00. The amount received is therefore far below the requirement of the Agency. However, the Agency continues to deliver its mandate despite the challenges related to inadequate budgetary allocation. The Agency hopes to raise enough resources with the support of the Parent Ministry, the National Treasury and other development partners.

As the Chief Executive Officer, I aspire to lead the Agency through continuous improvement, employing best practices in water towers conservation by employing prudent environmental governance and harness stakeholder's goodwill in protection and conservation. Also I will ensure inclusion of all stakeholders in sustainable livelihood programmes for employment and wealth creation and engage a participatory business approach to natural resource management.

While KWTA grapples with a far-reaching and comprehensive approach to the sustainable management of Water Towers, we are aware that we need to deepen and also communicate our understanding of the Water Towers ecosystems, their interactions, hydrological cycle, socio-economic opportunities derived from the ecosystem disturbances, the anthropogenic factors, the impact of climate change on Water Towers ecosystem and the resilience of the ecosystem to external forces.

In conclusion, I appreciate the support from the Parent Ministry and guidance of the Board during the year under review. I am grateful for the continued confidence of my management team as well as my fellow staff members and hope the same will continue as the Agency grows.

Mr. Francis M. Nkako HSC, OGW, ndc (K)
Ag. Chief Executive Officer



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

V. CORPORATE GOVERNANCE STATEMENT

We believe in good corporate governance as an organisation. The Board provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the Agency. The Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

Board meetings are held quarterly. The Board has a formal schedule of matters specifically reserved for deliberation. The Agency ensures that it provides the necessary resources and expertise to the Board of directors to assist them in their decision-making and as such, they are regularly consulted on key policy matters.

General Responsibilities

The Board has a duty to the people of Kenya to ensure that the KWTA achieves its objectives efficiently and effectively and in compliance with the Legal Notice No 27. Statutory powers of the KWTA Board include:

- Approve and ratify the policies of the Agency.
- Manage, control and administer the assets of the Agency in such manner and for such purposes as are best to promote the purposes for which the Agency is established.
- Receive any gifts, grants, donations or endowments made to the Agency.
- Determine the provisions to be made for capital and recurrent expenditure and for the reserves of the Agency.
- Open a banking account or banking accounts for the funds of the Agency.
- Determine and issue the terms and conditions for the appointment and enlistment of personnel to the Agency.
- Co-operate with other organizations undertaking functions similar to its own, whether within Kenya or otherwise.

In working to meet its obligations, the Board shall focus on matters of corporate governance, ensure that personal and private interest are put aside for the good of the Agency, and delegate matters of management to staff.

Specific Responsibilities

Given the powers afforded above and taking into consideration matters of corporate governance, the KWTA Board will execute the following specific responsibilities;

- Determine a clear statement of KWTA's vision, mission, purpose and values.
- Make recommendations for appointment of the Chief Executive Officer
- Monitor and appraise the performance of the Chief Executive Officer
- Appoint and appraise other senior managers
- Ensure accountability through quality management systems
- Ensure adequate strategic planning
- Ensure adequate operational planning



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

- Ensure KWTA has adequate financial resources
- Ensure adequate financial reporting
- Ensure adequate standards of internal controls
- Approve staff employment policies and practices
- Assess corporate performance through external evaluations
- Manage, protect and enhance KWTA's reputation
- Ensure an efficient and effective functioning Board

Except for direction and guidance on general policy, the Board has delegated the authority for the conduct of day-to-day business to the Chief Executive Officer and the Management.

Directors' remuneration

The remuneration of all directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate as provided for by law. The directors are paid a sitting allowance for meetings attended.

Internal Controls

The Agency has in place a system of internal controls with defined procedures, financial and operational controls to ensure that resources are safeguarded; transactions authorised, validated and reported in line with International Financial Reporting Standards.

Board Committees

The Board has three Committees with specific delegated authorities. These are the Board Audit Committee, the Board Finance and administration committee and the Technical committee. The respective Chairpersons present their reports to the Board at each scheduled meeting. All directors are subject to a three year term renewable once (for independent members appointed by name) in accordance with the Legal Notice. On first appointment, the directors go through an induction program covering the organisation's operations and an appreciation of the key risk areas. The directors are advised of the legal, regulatory and other obligations of a director of a listed company on an ongoing basis. The directors also receive both internal and external training on corporate governance through a comprehensive training by the Centre for corporate governance.

Conflicts of interest

The directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Agency's business. The Agency has established a robust process requiring directors to disclose outside business interests before they are entered into. Any potential or actual conflicts of interest are reported to the Chief Executive officer.



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

Compliance

The Board confirms that it is satisfied that the Agency has adequate resources to continue in operating for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements. The Board is satisfied that the Agency has to the best of their knowledge complied with all relevant laws and conducted its business affairs in accordance with the law in particular to the State Corporations Act and the Legal Notice no: 27. Further disclosures on compliance are set out in the Directors statement of responsibilities and notes to the financial statements.

Dr. Isaac Kalua MBS , HSC
Chair, Board of Directors

Mr. Francis M. Nkako HSC, OGW, ndc (K)
Ag Chief Executive Officer



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Water Towers Agency strives to be a corporation that epitomizes the aspirations of Kenyans in environmental conservation and water towers management. The Agency recognizes its obligations to act professionally, ethically, and with integrity in its dealings with stakeholders including staff, neighbours, customers and the environment at large.

Through implementation of our mandate that is to co-ordinate and oversee the protection, rehabilitation, conservation, and sustainable management of water towers - we impact society in various ways. Whether reclaiming water towers areas, identifying critical biodiversity hotspots within the water towers ecosystems, promoting sustainable livelihood support programmes within the water towers or strategic partnerships and linkages for sustainable management of water towers, the Agency seeks to be a responsible citizen and community partner.

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the Kenya Water Towers Agency affairs.

Principal activities

The principal activities of the entity continue to be;

- To coordinate Water Towers Ecosystem Health and Resilience.
- To coordinate and Oversee Securing of Catchment Lands, Wetlands and Critical Biodiversity Hotspots within the Water Towers Ecosystems.
- To acquire appropriate Infrastructure to Support Sustainable Management of Water Towers.
- To promote Sustainable Livelihood Support Programmes within the Water Towers.
- To establish Strategic Partnerships and Linkages for Sustainable Management of Water Towers.
- To undertake Institutional Strengthening for Effective Service Delivery.

Results

The results of the entity for the year ended June 30, 2015 are set out on page 20 to 24.

Directors

The term of the board of Directors expires on 28th February 2016.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Water Towers Agency in accordance with section 81 of the Public Finance Management (PFM) Act, 2012, and section 69 of the Public Audit Act which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Agency (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2015, and of the Agency's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

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



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

Approval of the financial statements

The Kenya Water Towers Agency financial statements were approved by the Board on 15/9 2015 and signed on its behalf by:

Dr. Isaac P. Kalua, MBS, HSC
Chairperson, Board of Directors

Francis M. Nkako HSC, OGW, ndc (K)
Ag. Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA WATER TOWERS AGENCY FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Water Towers Agency set out on pages 19 to 41, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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 such 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.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involved performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation

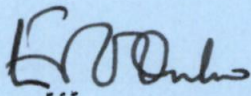
Kenya Water Towers Agency – Annual Report and Financial Statements for the year ended 30 June 2015

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. An audit also includes the evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respect, the financial position of Kenya Water Towers Agency as at 30 June 2015, 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 Kenya Water Towers Agency Order, 2012.



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

Nairobi

14 July 2015



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

VIII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30th JUNE 2015

	Notes	2014/2015 Kshs	2013/2014 Kshs
Revenue from non-exchange transactions			
Public contributions & donations-GoK Grants	3	382,922,400	185,200,000
Transfers from other Governments – EU Project	4	<u>382,922,400</u>	<u>11,616,319</u> 196,816,319
Revenue from transactions			
Finance income – Interest received	5	1,046,049	659,206
<i>Total revenue</i>		<u>383,968,449</u>	<u>197,475,525</u>
EXPENSES			
Employee costs	6	94,827,580	84,458,084
Board expenses	7	15,096,008	4,634,215
Depreciation expenses	8 (a)	10,198,343	4,614,007
Amortization	8 (b)	1,348,610	-
Administrative expenses	9	51,863,317	59,444,854
Finance costs	10	386,978	311,397
Imarisha-Naivasha project expenses	11	993,900	5,429,376
Operation & Maintenance expenses	12	34,636,186	34,450,663
Development Expenditure	13	<u>145,184,297</u>	<u>10,489,919</u>
<i>Total expenditure</i>		<u>354,535,219</u>	<u>203,832,515</u>
Surplus for the period		<u>29,433,230</u>	<u>(6,356,990)</u>

The notes set out on pages 24 to 41 form an integral part of the Financial Statements


DR. Isaac P. Kalua, MBS, HSC
Chairman, Board of Directors


Mr. Francis M. Nkako, HSC, OGW, ndc (K)
Ag Chief Executive Officer

Date.....30/06/2016.

Date.....23/05/2016




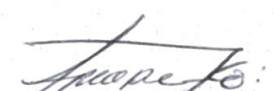
Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

XII. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2015

	NOTES	2014/2015 Kshs	2013/2014 Kshs
Current Assets			
Cash & cash equivalents	14	65,529,184	4,030,063
Receivables from exchange transactions- Prepayments	15	6,164,102	5,256,047
Receivables from non-exchange transactions	16	989,200	51,251,316
Inventory	17	<u>3,348,957</u>	<u>466,144</u>
		76,031,443	61,003,570
Non-Current Assets			
Property, plant & equipment	18(A)	21,591,241	13,925,812
Intangible Assets	18(B)	2,701,271	
Total Assets		100,323,955	74,929,382
Current liabilities			
Trade payables from exchange transactions	19	19,271,189	23,791,727
Reserves	20	6,903,579	6,421,698
Accumulated Surplus/ Deficit		<u>74,149,187</u>	<u>44,715,957</u>
Total net assets and Liabilities		100,323,955	74,929,382

The Financial Statements set out on pages 19 to 22 were signed on behalf of the Board of Directors by:


DR. Isaac P. Kalua, MBS, HSC
Chairman, Board of Directors


Mr. Francis M. Nkako, HSC, OGW, ndc (K)
Ag Chief Executive Officer

Date.....30/06/2016.....

Date.....23/05/2016.....



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30th JUNE 2015

	Revaluation Reserves Kshs.	Revenue Reserves Kshs.	Total Kshs.
Balance b/f as at 1 st July 2013	-	51,072,947	51,072,947
Adjustment for the year			
Additions for the Year	6,421,698		6,421,698
Surplus/Deficit for the year		(6,356,990)	(6,356,990)
Balance c/f as at 30 th June 2014	6,421,698	44,715,957	51,137,655

	Revaluation Reserves Kshs.	Revenue Reserves Kshs.	Total Kshs.
Balance b/f as at 1 st July 2014	6,421,698	44,715,957	51,137,655
Adjustment for the year			
Additions for the Year	481,881		481,881
Surplus/Deficit for the year		29,433,230	29,433,230
Balance c/f as at 30 th June 2015	6,903,579	74,149,187	81,052,766



Kenya Water Towers Agency
Financial Statements for the year ended 30th June 2015

XIV. STATEMENT OF CASH FLOWS THE YEAR ENDED 30th JUNE 2015

	2014/2015 Kshs	2013/2014 Kshs
Cash flows from operating activities		
Net operating deficit for the year	29,433,230	(6,356,990)
<i>Adjustments For</i>		
Depreciation & amortization of Plant, Property and Equipment	11,546,953	4,614,007
Net cash flow generated from operating activities before changes in working capital	40,980,183	(1,742,983)
Changes in working capital		
Increase in Trade and other receivables	50,262,116	(51,251,316)
Increase in Trade and other payables	(4,520,538)	23,791,727
Increase in Inventory	(2,882,813)	776,557
Increase in prepayments	(908,055)	(5,256,047)
<i>Net cash flows from operating activities</i>	82,930,893	(33,682,062)
Cash flows from Investing Activities		
Purchase of Plant, Property and Equipment	(21,431,772)	(1,927,391)
<i>Net outflow from investing activities</i>	(21,431,772)	(1,927,391)
Increase in Cash and Cash Equivalents	61,499,121	(35,609,453)
Cash and Cash Equivalents at beginning of the Period	4,030,063	39,639,516
Cash and Cash Equivalents at the end of the Period	65,529,184	<u>4,030,063</u>



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
	2014/2015 Kshs	2014/2015 Kshs	2014/2015 Kshs
Revenue			
Public contributions and donations- GoK Grants	382,942,400	382,922,400	(20,000)
Transfers from other governments –EU Grant			
Sale of goods			
Finance Income	700,000	1,046,049	346,049
Foreign Exchange Gains			
Total income	<u>383,642,400</u>	<u>383,968,449</u>	<u>326,049</u>
Expenses			
	91,200,000	94,827,580	(3,627,580)
Compensation of employees			
Admin. Expenses	62,300,000	51,863,317	10,436,683
Finance cost	350,000	386,978	(36,978)
Board Expenses	12,000,000	15,096,008	(3,096,008)
Imarisha Naivasha Project	2,500,000	993,900	1,506,100
Operation & Maintenance	35,292,400	34,636,186	656,214
Development Expenses	<u>180,000,000</u>	<u>145,184,297</u>	34,815,703
Depreciation		10,198,343	(10,198,343)
Amortization		1,348,610	(1,348,610)
Total expenditure	<u>383,642,400</u>	<u>354,535,219</u>	29,433,230
Surplus/Deficit for the period	-	29,433,230	



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements are prepared in accordance with & comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Agency and all values are rounded to the nearest shilling (Kshs). The accounting policies have been consistently applied to all the years presented. The cash flow statement is prepared using the indirect method. The financial statements have been prepared on the basis of historical cost basis of measurement as modified by fair value adjustments where necessary.

2. Summary of significant accounting policies

The Agency is a going concern with there being no intention to liquidate or curtail its operations materially. The preparation of these financial statements conforms to Generally Accepted Accounting Principles (GAAP) which requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period.

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Agency recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Agency and the fair value of the asset can be measured reliably.

Revenue is recognised when it is probable that future economic benefits will flow to the Agency and the amount of revenue can be measured reliably. Interest income is recognized on an accruals basis in the Statement of Comprehensive Income. When financial assets become impaired, any inherent income/revenue is thereafter recognized at rates used to discount future cash flows for the purpose of measuring the recoverable amount. Fees income is generally recognized on an accrual basis.



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

ii) Revenue from exchange transactions

Rendering of services

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

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

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or organisational differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

d) Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to acquisition of the assets. Increases in the carrying amount arising on revaluation are recognized in other comprehensive income and accumulated in equity under revaluation surplus.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of property and equipment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus. Tools and other minor office equipments are fully (100%) depreciated in the year of acquisition.

Depreciation is calculated on a pro-rata straight-line basis to the date of acquisition to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates.

Motor Vehicles	25%
Furniture & Fittings	12.5%



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

Computers & related accessories	33.3%
Intangible Assets	33.3%

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 various commercial banks 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) Significant judgments and sources of estimation uncertainty

The preparation of the Agency's financial statements in conformity with IPSAS requires, its Directors to make certain 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, that are continuously evaluated and assessed for adjustments based on prior experience and other determinants, including expectations of future events that are believed to be reasonable under the prevailing circumstances. Although these estimates are based on the Directors' best knowledge of current events and actions, in practice actual results may differ from these estimates. Such estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made and are described in these notes to the Financial Statements.

Estimates and assumptions

The Agency is a going concern with there being no intention to liquidate or curtail its operations materially. The preparation of these financial statements conforms to Generally Accepted Accounting Principles (GAAP) which requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period.

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 Agency 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 Service. Such changes are reflected in the assumptions when they occur.



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts engaged
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions are recognized when the Agency 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 Agency 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.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 22. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

t) NEW AND REVISED STANDARDS

(i) Adoption of new and revised standards

The following new and revised standards have been adopted for the first time in the financial year and have been adopted by the Agency where relevant to its operations:

Standard Title

IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash Flow Statements
IPSAS 3	Net Surplus or Deficit for the Period - Fundamental Errors and Changing in Accounting Policies
IPSAS 4	The Effects of changes in Foreign Exchange Rates
IPSAS 9	Revenue from Exchange Transactions
IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 12	Inventories
IPSAS 14	Events after the Reporting Date
IPSAS 15	Financial Instruments: Disclosure and Presentation



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

IPSAS 16	Investment Property
IPSAS 17	Property, Plant and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-cash-generating Assets
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 27	Agriculture
IPSAS 28	Financial Instruments: Presentation.
IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 30	Financial Instruments: Disclosures.
IPSAS 31	Intangible Assets.

- **IPSAS 1, Presentation of Financial Statements**, sets out the overall considerations for the presentation of financial statements, guidance for the structure of those statements and minimum requirements for their content under the accrual basis of accounting.
- **IPSAS 2, Cash Flow Statements**, requires the provision of information about the changes in cash and cash equivalents during the period from operating, investing and financing activities.
- **IPSAS 3, Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies**, specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors, defines extraordinary items and requires the separate disclosure of certain items in the financial statements.
- **IPSAS 4, The Effects of Changes in Foreign Exchange Rates**, deals with accounting for foreign currency transactions and foreign operations. It sets out the requirements for determining which exchange rate to use for the recognition of certain transactions and balances and how to recognise in the financial statements the financial effect of changes in exchange rates.
- **IPSAS 9, Revenue from Exchange Transactions**, establishes requirements for the accounting treatment of revenue from exchange transactions. Non-exchange revenue, such as taxation, is not addressed in this standard.
- **IPSAS 10, Financial Reporting in Hyperinflationary Economies**, describes characteristics of an economy that indicate whether it is experiencing a period of hyperinflation and provides guidance on restating the financial statements in a hyperinflationary environment to ensure useful information is provided.
- **IPSAS 12, Inventories**, establishes the accounting treatment of inventories held by public sector entities and deals with inventories held for sale in an exchange transaction and certain inventories held for distribution at no or nominal charge. The IPSAS excludes from its scope work-in progress of services to be provided at no or nominal charge from recipients because they are not dealt with by IAS 2 Inventories and because they involve public sector specific issues which require further consideration.



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

- **IPSAS 14, Events After the Reporting Date.** The IPSAS is based on IAS 10, Events after the Balance Sheet Date (revised 1999) but has been amended where necessary to reflect the public sector operating environment. The Standard establishes criteria for deciding whether the financial statements should be adjusted for an event occurring after the reporting date. It distinguishes between adjustable events (those that provide evidence of conditions that existed at the reporting date) and non-adjustable events (those that are indicative of conditions that arose after the reporting date).

- **IPSAS 15, Financial Instruments: Disclosure and Presentation.** The IPSAS is based on IAS 32 *Financial Instruments: Disclosure and Presentation* (Revised 1998). The Standard includes requirements for disclosures about both on-balance sheet and off-balance sheet (statement of financial position) instruments, and the classification of financial instruments as financial assets, liabilities or equity.
- **IPSAS 16, Investment Property.** Based on IAS 40 *Investment Property* (issued 2000) and provides guidance on identifying investment properties in the public sector. The Standard:
 - requires that investment property initially be recognised at cost and explains that where an asset is acquired at no or nominal cost, its cost is its fair value as at the date it is first recognised in the financial statements;
 - requires that subsequent to initial recognition investment property be measured consistent with either the fair value model or the cost model; and
 - Includes transitional provisions for the initial adoption of the IPSAS.
- **IPSAS 17, Property, Plant and Equipment.** Establishes the accounting treatment for property, plant and equipment, including the basis and timing of their initial recognition, and the determination of their ongoing carrying amounts and related depreciation. It does not require or prohibit the recognition of heritage assets.
- **IPSAS 18, Segment Reporting.** Establishes principles for reporting financial information about distinguishable activities of a government or other public sector entity appropriate for evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.
- **IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets.** This Standard defines provisions, contingent liabilities and contingent assets; and identifies the circumstances in which provisions should be recognised, how they should be measured and the disclosures that should be made about them. The Standard also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing, and amount.
- **IPSAS 20, Related Party Disclosures.** Requires disclosure of the existence of related party relationships where control exists and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

- **IPSAS 21, Impairment of Non-Cash-Generating Assets.** Prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.
- **IPSAS 23, Revenue from Non-Exchange Transactions (Taxes and Transfers).** Addresses:
 - Recognition and measurement of revenue from taxes
 - Recognition of revenue from transfers, which include grants from other governments and international organisations, gifts and donations
 - How conditions and restrictions on the use of transferred resources are to be reflected in the financial statements.
- **IPSAS 24, Presentation of Budget Information in Financial Statements.** Applies to entities that adopt the accrual basis of financial reporting. It identifies disclosures to be made by public sector entities that make their approved budgets publicly available. Also, it requires public sector entities to include a comparison of budget and actual amounts in the financial reports and an explanation of any material differences between budget and actual amounts.
- **IPSAS 25 Employee Benefits.** Sets out the reporting requirements for the four categories of employee benefits. These are short-term employee benefits, such as wages and social security contributions; post-employment benefits, including pensions and other retirement benefits; other long-term employee benefits; and termination benefits. It also deals with specific issues for the public sector, including the discount rate related to post-employment benefits, treatment of post-employment benefits provided through composite social security programs, and long-term disability benefits.
- **IPSAS 26 Impairment of Cash-Generating Assets.** Some public sector entities (other than government business enterprises, which would already be using full IFRSs) may operate assets with the main purpose of generating a commercial return (rather than providing a public service). It sets out the procedures for a public sector entity to determine whether a cash-generating asset has lost future economic benefit or service potential and to ensure that impairment losses are recognised in its financial reports. Non cash-generating assets, those used primarily for service delivery, are addressed separately in IPSAS 21 Impairment of Non-Cash-Generating Assets.
- **IPSAS 27 Agriculture.** Prescribes the accounting treatment and disclosures related to agricultural activity, a matter not covered in other standards. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets. It addresses biological assets held for transfer or distribution at no charge or for a nominal charge to other public sector bodies or to not-for-profit organisations. It also includes disclosure requirements that are aimed at enhancing consistency with the statistical basis of accounting that governs the Government Finance Statistics Manual.
- **IPSAS 28 Financial Instruments: Presentation.** It establishes principles for presenting financial instruments as liabilities or equity, and for offsetting financial assets and financial liabilities.
- **IPSAS 29 Financial Instruments: Recognition and Measurement.** It establishes principles for recognising and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items.



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

- **IPSAS 30 Financial Instruments: Disclosures.** Requires disclosures for the types of loans described in IPSAS 29. It enables users to evaluate: the significance of the financial instruments in the entity's financial position and performance; the nature and extent of risks arising from financial instruments to which the entity is exposed; and how those risks are managed.
- **IPSAS 31 Intangible Assets.** Covers the accounting for and disclosure of intangible assets. It also adds application guidance and illustrations that have not yet been incorporated into the relevant IAS. At this point, IPSAS 31 does not deal with uniquely public sector issues, such as powers and rights conferred by legislation, a constitution, or by equivalent means; the IPSASB will reconsider the applicability of the standard to these powers and rights in the context of its conceptual framework project, which is currently in progress.

There are other amendments and interpretations to standards which became mandatory for years beginning on or after 1st July 2014 but had no significant effect on the Agency's financial statements.

- (ii) **Standards, amendments and interpretations to existing standards that are not yet effective or have not been adopted**

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of standards that are likely to be relevant to the Agency for the year beginning 1st July 2014.

Standard Title

- IPSAS 5, Borrowing Costs,
 - IPSAS 6, Consolidated Financial Statements and Accounting for Controlled Entities
 - IPSAS 7, Accounting for Investments in Associates,
 - IPSAS 8, Financial Reporting of Interests in Joint Ventures
 - IPSAS 11, Construction Contracts
 - IPSAS 13, Leases
 - IPSAS 22, Disclosure of Financial Information about the General Government Sector.
 - IPSAS 32 Service Concession Arrangements: Grantor
-
- **IPSAS 5, Borrowing Costs,** prescribes the accounting treatment for borrowing costs and requires either the immediate expensing of borrowing costs or, as an allowed alternative treatment, the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
 - **IPSAS 6, Consolidated Financial Statements and Accounting for Controlled Entities,** requires all controlling entities to prepare consolidated financial statements which consolidate all controlled entities on a line by line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.
 - **IPSAS 7, Accounting for Investments in Associates,** requires all investments in associate to be accounted for in the consolidated financial statements using the equity method



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.

- **IPSAS 8, Financial Reporting of Interests in Joint Ventures**, requires proportionate consolidation to be adopted as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. However, IPSAS 8 also permits - as an allowed alternative - joint ventures to be accounted for using the equity method of accounting.
- **IPSAS 11, Construction Contracts**, deals with both commercial and non-commercial contracts and provides guidance on the allocation of contract costs and, where applicable, contract revenue to the reporting periods in which construction work is performed.
- **IPSAS 13, Leases**. The IPSAS establishes requirements for financial reporting of leases and sale and leaseback transactions by public sector entities, whether as lessee or lessor.
- **IPSAS 22, Disclosure of Financial Information about the General Government Sector**. Establishes requirements for governments that choose to disclose information about the general government sector and that prepare their financial statements under the accrual basis of accounting.
- **IPSAS 32 Service Concession Arrangements: Grantor**. Provides for the recognition, measurement, and disclosure of service concession assets and related liabilities, revenues, and expenses by the grantor. The criteria for determining whether the operator controlled the asset used in a service concession arrangement are also used in IPSAS 32 to assess whether the grantor controlled the asset.

None of the existing standards above have been adopted in preparing these financial statements. There are no other IPSAS's or interpretations that are not yet effective that would be expected to have a material impact on the Agency.

The Board of Directors has assessed the potential impact of the above and expects that they will not have a significant impact on the financial statements for the year ending 30th June 2015 of the Agency

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 30th June 2015.

3. Public Contributions and Donations

These are funds received by the Agency from Treasury through the Ministry of Environment, Water and Natural resources. In the financial year under consideration the Agency received a total of Ksh 200,422,400 for recurrent vote heads and a total of Kshs 180,000,000 funds for development. We also received Kshs 2,500,000 Imarisha Naivasha Program. The breakdown of the funds received is given below.





Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

Recurrent:

	2014/2015 Kshs.	2013/2014 Kshs.
28 th August, 2014	9,118,533	-
09 th September, 2014	9,118,533	47,500,000
30 th September, 2014	9,118,533	25,000,000
14 th November, 2014	9,118,533	7,000,000
09 th December, 2014	9,118,533	-
29 th December, 2014	9,118,533	-
29 th January, 2015	24,287,000	-
03 rd March, 2015	24,287,000	-
02 nd April, 2015	24,287,000	54,700,000
06 th May, 2015	24,287,000	-
06 th June, 2015	24,287,000	-
26 th June, 2015	<u>24,276,202</u>	<u>51,000,000</u>
Total	200,422,400	185,200,000

Development:

Date received	2014/2015 Kshs.	2013/2014 Kshs.
19 th November 2014	90,000,000	-
28 th January 2015	30,000,000	-
17 th June 2015	30,000,000	-
17 th June 2015	<u>30,000,000</u>	<u>-</u>
Total	180,000,000	-

Imarisha Naivasha:

Total

	2014/2015 Kshs.	2013/2014 Kshs.
	<u>2,500,000</u>	-
Total	2,500,000	-

4. Transfers from other Governments

The Agency did not receive any funds from other Governments or International organizations the financial year 2014/2015.

5. Finance Income (Interest)

Interest earned

	2014/2015	2013/2014
Interest earned	1,046,049	659,206



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

6. Employee costs

These are costs incurred by the Agency on its employees' salaries and other employee related expenses in the financial year under consideration as set out below:

	2014/2015	2013/2014
Number of employees	49	50
	Kshs.	Kshs.
Basic Salaries	68,876,918	61,481,717
Contracted employees' wages	-	214,376
House Allowance	9,413,000	7,808,000
Responsibility Allowance	540,000	1,310,000
Entertainment Allowance	1,440,000	1,384,659
Transport Allowance	4,156,000	3,498,666
Extraneous Allowance	3,922,000	7,995,666
Leave Allowance	3,132,357	765,000
Pension (Employer Contribution)	2,877,505	-
NSSF (Employer Contribution)	469,800	-
Total	94,827,580	84,458,084

7. Board Expenses

The Agency incurred a total of Ksh 15,096,008 on Board related expenses

	2014/2015	2013/2014
	Kshs.	Kshs.
Board Expenses	15,096,008	4,634,215

8. (a) Depreciation Expenses

Depreciation expense for the financial year is given below.

	2014/2015	2013/2014
	Kshs.	Kshs.
Depreciation	10,198,343	4,614,007
Total	10,198,343	4,614,007

8 (b) Amortization

Amortization of the finance software in the financial year is given below:

	2014/2015	2013/2014
	Kshs.	Kshs.
Amortization	1,348,610	-
Total	1,348,610	-



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

13. Development Expenditure

	2014/2015 Ksh.	2013/2014 Ksh.
Ecosystem, survey, assessment & mapping	47,352,259	-
Securing Water Towers	19,251,279	10,489,919
Community livelihood & Green Initiative	70,463,710	-
Innovative approaches towards rehabilitation of Water Towers	3,312,993	-
Improved flow of ecosystem resources	<u>4,804,056</u>	-
Total	145,184,297	10,489,919

14. Cash and Cash Equivalent

	2014/2015 Kshs	2013/2014 Kshs
Recurrent A/c:		3,718,931
NIC Bank A/c no: 1000823836	233	-
National Bank A/c no: 01001094665400	16,906,679	-
Development A/c:		311,132
NIC Bank A/c no: 100237201	513,511	-
KCB A/c no: 1169617867	<u>48,108,761</u>	-
Total	65,529,184	4,030,063

15. Receivables from Exchange Transactions (Prepayments)

	2014/2015 Kshs	2013/2014 Kshs
Medical Insurance (6 months)	4,250,000	3,431,588
Motor Vehicle Insurance (9 months)	789,085	834,966
Workman Compensation (9 months)	687,879	550,296
Office Rent (H.Q. & NKR)	308,958	439,197
Office Parking	<u>128,180</u>	-
Total	6,164,102	5,256,047



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

9. Administration Costs

This comprises of administrative costs as set out below

	2014/2015 Ksh.	2013/2014 Ksh.
Office Rent	4,108,336	3,320,896
Medical Insurance	4,250,000	3,431,588
Contracted Professional Services	-	11,090,256
Temporary committees(Mau forest Joint Enforcement units cost)	42,927,688	40,947,251
Staff Uniforms	-	123,422
Audit fees	348,000	348,000
Insurance (workman compensation)	<u>229,293</u>	<u>183,441</u>
Total	51,863,317	59,444,854

10. Finance Costs

	2014/2015 Kshs	2013/2014 Kshs
Bank Charges	<u>386,978</u>	<u>311,397</u>
Total	386,978	311,397

10. Imarisha Naivasha

	2014/2015 Kshs.	2013/2014 Kshs.
Imarisha Naivasha Expenses	993,900	5,429,376

12. Operations & Maintenance Cost

	2014/2015 Ksh.	2013/2014 Ksh.
Telephone expenses	3,172,000	2,315,400
Internet expenses	183,600	584,199
Courier & Postal	-	260
Travel cost	924,526	617,355
Accommodation	8,945,669	8,446,105
Subsistence Allowance	6,138,724	3,797,379
Advert & Publications	-	4,768,374
Catering services	-	1,179,539
General Office expenses	8,445,863	7,633,024
Sanitary & Cleaning	-	80,131
Refined fuels and lubricants	2,610,000	1,467,561
Motor Vehicle insurance	263,028	544,589
Parking Charges	-	711,500
Maintenance- Motor Vehicles	2,751,295	1,890,723
Maintenance- Plant & Equipment	-	12,600
Maintenance- Computers	<u>1,201,481</u>	<u>401,924</u>
Total	34,636,186	34,450,663



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

18(A) Property, Plant and Equipment

	Motor Vehicle Kshs 25%	Furniture & Fitting Kshs 12.50%	Computers & Related Accessories Kshs 33.30%	Total Kshs
Cost				
1 st July 2013	10,000,000	1,342,187	2,273,337	13,615,524
Adjustments:				
Loss/Gain on Revaluation	-	-	-	-
Additions	8,349,090	-	-	8,349,090
Disposal	-	-	-	-
30th June 2014	18,349,090	1,342,187	2,273,337	21,964,614
Accumulated Depreciation				
1 st July 2013	2,500,000	163,773	757,021	3,424,794
Adjustments:				
Depreciation on disposal	-	-	-	-
Charge for the year	3,962,272	146,801	504,933	4,614,007
30th June 2014	6,462,272	314,575	1,261,954	8,038,801
Cost				
1 st July 2014	18,349,090	1,342,187	2,273,337	21,964,614
Adjustments:				
Loss/Gain on Revaluation	-	-	-	-
Additions	1,235,592	5,575,984	11,052,195	17,863,771
Disposal	-	-	-	-
30th June 2015	19,584,682	6,918,171	13,325,532	39,828,385
Accumulated Depreciation				
1 st July 2014	6,462,272	314,575	1,261,954	8,038,801
Adjustments:				
Depreciation on disposal	-	-	-	-
Charge for the year	4,896,170	864,771	4,437,402	10,198,343
30th June 2015	11,358,442	1,179,346	5,699,356	18,237,144
NET BOOK VALUE				
30 th JUNE 2015	8,226,240	5,738,825	7,626,176	21,591,241

18. (B) Intangible Assets

	Kshs 33.30%	Total Kshs
Cost		
1 st July 2014	-	-
Adjustments:		
Loss/Gain on Revaluation	-	-
Additions	4,049,881	4,049,881
Disposal	-	-
30th June 2015	4,049,881	4,049,881
Accumulated Amortization		
1 st July 2014	-	-
Adjustments:		
Amortization on disposal	-	-
Charge for the year	1,348,610	1,348,610
30th June 2015	1,348,610	1,348,610
NET BOOK VALUE		
30 th JUNE 2015	2,701,271	2,701,271



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

15. Receivables from None exchange Transactions (Receivable)

	2014/2015 Kshs	2013/2014 Kshs
GoK Grant	-	51,000,000
Staff Salary Advance	<u>989,200</u>	<u>251,316</u>
Total	989,200	51,251,316

16. Inventory/Stock

	2014/2015 Kshs	2013/2014 Kshs
The stock of stationery and other low value items	3,348,957	466,144



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

Terrcon Consultancies	594,352	-
Terrcon Consultancies	594,352	-
East Africa Wildlife	773,100	-
East Africa Wildlife	773,100	-
Vired International	853,500	-
Vired International	853,500	-
Vired International	896,500	-
Vired International	896,500	-
Biotope Consult	881,400	-
Biotope Consult	587,600	-
Biotope Consult	587,600	-
Lapimar Agencies	500,000	-
Terrcon Consultancies	500,940	-
Terrcon Consultancies	751,410	-
Terrcon Consultancies	751,410	-
Tajeu Child Fund	500,000	-
CPS Reseach International	128,638	-
Joint Enforcement Field Allowances	-	16,507,000
Capacity Building&Research Consultants	-	2,200,000
Wadwa Ventures	-	236,200
Lizer Ventures	-	305,572
Zismant Enterprises	-	24,050
Jobea Enterprises	-	105,000
Nakuru Office Expenses	-	298,907
Firstgen Agencies	-	112,000
Body Fit Enterprises	-	123,422
MFI Document Solutions	-	88,435
AFC Nakuru	-	119,548
Ruth N Gichui	-	20,000
Kodia Ltd	-	82,900
Office expenses (various)	-	30,000
Transport claim (Bahati)	-	40,600
MFI Documents Solution Ltd	-	173,050
Palix Digital Merchandizer	-	64,000
Gonya General Supplies	-	69,350
Syden Supplies	-	54,150
Crystal Valuers	-	157,760
Crystal Valuers	-	525,916
Kenya National Audit	-	348,000
Munipariki Enterprises	-	374,120
Toyota Kenya	-	44,418
Toyota Kenya	-	55,207
PKF Consultants	-	648,168
KWS Narok (Joint Enforcement bill)	-	709,112
Total	19,271,189	23,791,727



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

19. Trade Payables

	2014/2015	2013/2014
	Kshs.	Kshs.
Maanzoni Lodge	69,000	-
Lake Naivasha Resort	43,200	-
CMC Motors	152,361	30,150
Utalii Hotel	32,130	-
Sweet Lake Resort	150,000	-
Utalii Hotel	32,130	-
Sweet Lake Resort	150,000	-
Henrique Entreprises	21,502	-
Veka Computer Systems	8,500	-
Data write Ent	290,400	-
Caryntoze Enterprises	171,000	-
Bradem Ent	53,800	-
Jenotech Ventures	113,960	-
Wangaya Gen Ent	94,300	-
Ride on Agencies	32,640	29,790
Chriso Autogarage	85,616	-
KCB Leadership centre	80,712	-
CMC Motors	8,332	32,838
Beneiz G Supplies	120,000	-
Akwany Holdings Ltd	180,000	-
Munpariki Ent	82,201	75,360
Sihellen Globe	32,700	-
Henrique Enterprises	32,500	-
Sophytech	145,000	88,624
Ride on Agencies	35,665	18,080
Rosemart Holdings	287,030	-
Hursgunner – Seedlings transport	112,000	-
Hursgunner – Seedlings transport	80,000	-
Hursgunner – Seedlings transport	86,000	-
Machu Pichu	525,000	-
Breath Safaris	90,000	-
KWS- Seedlings Transport	108,104	-
Hursgunner – Seedlings transport	93,500	-
Two Fifty Four	90,000	-
Breath Safaris	90,000	-
Breezy Tours	52,716	-
Two Fifty Four	45,000	-
Sunshine Hotel	150,000	-
Viable Deco Solutions	498,632	-
Lapimar Agencies	750,000	-
Tajess Child Fund	750,000	-
Terrcon Consultancies	891,528	-
Africa Waste Management	930,088	-



Kenya Water Towers Agency
Financial Statements for the Year Ended 30th June 2015

19. Valuation Reserve.

A vehicle was donated to the Agency by EU through UNEP. The value of the vehicle was Ksh 8,349,090 (value assessed by KRA). The Agency was charged a tax of Ksh 1,927,392. The difference between the assessed value and the tax paid is Ksh 6,421,698. Another vehicle which was donated to KWTA Nakuru office is valued at Ksh. 1,235,592 and import duty of Ksh 753,712. The difference between the assessed value and tax paid is 481,881 which represent a valuation reserve. The total valuation reserve is therefore Ksh.6, 903,579.