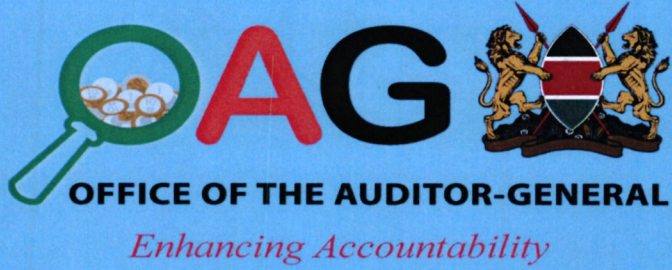


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA WATER INSTITUTE

**FOR THE YEAR ENDED
30 JUNE, 2022**

THE NATIONAL ASSEMBLY
DATE: 20 JUN 2023 Tuesday
BY: Hon. Owen Bayo, MP
Deputy leader majority
IN CHARGE OF THE TABLE: Isaac Jumaide



KENYA WATER INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022**

KENYA WATER INSTITUTE
Annual Report and Financial Statements
for the year ended 30 June 2022

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1. Key Entity Information and Management

a) Background information

Kenya Water Institute (KEWI) is a Semi-Autonomous Government Agency (SAGA) established through the Kenya Water Institute Act 2001 Revised Edition 2012. The Institute is currently under the Ministry of Water, Sanitation and Irrigation. The Institute is a body corporate with perpetual succession and a common seal. Its governance, control and administration are vested in the Governing Council. The Institute has four campuses, namely, Nairobi, Kitui, Kisumu and Chiakariga which are located in Nairobi, Kitui, Kisumu and Tharaka Nithi Counties respectively.

b) Principal Activities

The mandate of KEWI is as follows:

- i. To provide directly or in collaboration with other institutions of higher learning, services in human resource development, consultancy, research and development in the water sector on a commercial basis to the public sector, state corporations, local authorities, the private sector and all other persons (local or foreign) who may request for such services from the institute;
- ii. To provide training programmes, seminars and workshops and produce publications aimed at maintaining standards in the water sector;
- iii. To provide a forum for effective collaboration between the public and private sectors and other interested parties for the development of the water sector; and
- iv. To conduct examinations and award diplomas, certificates and other awards to successful candidates.

Vision

A world class centre of excellence in training, research and consultancy in water, sanitation, irrigation and related sectors.

Mission

To offer competency-based training, research, consultancy and outreach services in water, sanitation, irrigation and related sectors for sustainable development

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c) Key Management

Kenya Water Institute's day to day management is under the following key organs:

1. The Governing Council
2. Director/CEO
3. Senior Management
4. The Academic Board

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director/CEO	CPA. Kennedy O. Riaga
2.	Deputy Director Research, Consultancy & Training Services	Mr. Leonard W. Makokha
3.	Deputy Director Academic Affairs	Mr. Eric Wamiti
4.	Deputy Director Corporate Services	Ms. Dorice Situma
5.	Principal Finance Officer	Mr. Jorum Muli
6.	Principal Supply Chain Management Officer	Mr. James Mutio
7.	Manager, Internal Audit and Risk Assurance	Ms. Carolyn K. Mburugu

e) Fiduciary Oversight Arrangements

KEWI's oversight responsibility is vested in the;

- 1) Governing Council which had 9 members
- 2) Academic, Research and Development Committee which had 3 members
- 3) Finance and Resource Mobilization Committee which had 3 members
- 4) Audit and Risk Committee which had 4 members
- 5) Human resource Committee which had 3 members
- 6) Independent internal audit function

Execution of the mandate during 2021/2022 FY, inter alia

The Governing Council was in place, was induction and formed committees.

Meetings

Both full board and committee meetings were held during the reporting period.

Membership of the Audit and Risk Committee

- a. Chairman-From Non-Governmental Organization
- b. Representative -From Universities
- c. Alternate to PS. the National Treasury
- d. Alternate to PS. Ministry of Devolution
- e. Secretary-Head of Internal Audit

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f) Entity Headquarters

Kenya Water Institute
Nairobi South C
Ole Shapara Avenue
P.O. Box 60013 – 00200
Nairobi, KENYA.

g) Entity Contacts

Tel: 254-20-6003893/6003905/6007433/25
CELL No: 0722-207757
Fax No: 254-20-6006718
Email: inquiries@kewi.or.ke
info@kewi.or.ke
Website: www.kewi.or.ke

h) Entity Bankers

1. Kenya Commercial Bank of Kenya
Moi Avenue
P.O. Box 30081
GPO 00100
Nairobi, Kenya
2. National Bank of Kenya Limited
Harambee Avenue
P.O. Box 72866-00200
Nairobi, Kenya

i) Independent Auditors

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

j) Principal Legal Adviser


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

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2. The Governing Council

Ref	Directors	Details
1.	 <p>BRIG. (RTD) Stephen Njung'e Kihu.</p> <p>MBA (Executive, Aviation), Masters (International Studies), Diploma (Strategic Studies)</p>	<p>Brigadier. (Rtd) Stephen Njung'e Kihu was born in 1958 and holds a Masters of Business Administration (Executive) (Aviation Option) at Moi University, Master in International Studies (UK), Diploma in Strategic Studies in University of Nairobi, Aviation Security Instructor (AVSEC), Grade One Staff Course, rcds (UK), Peace Support Operations Course, Total Quality Customer Service Programme, Grade Two Staff Course, psc (K), Joint Air Warfare Course JAW (India), Grade Three Staff College G3 and Flight Instructors Course, QFI (UK).</p> <p>Brigadier Stephen Njung'e Kihu is an experienced manager of both personnel and equipment. He is a successful Senior Executive Officer who has a track record of leading Kenya Air Force to deliver outstanding results both in the air and on ground. He has the vision needed to see the most challenging, exciting and inspiring possibilities clearly. He is a multi-skilled, multi-faceted and experienced leader who is able to bring a fresh perspective in to an organization.</p> <p>Having served in Kenya Air Force for 35 years, Brigadier Njung'e has vast experience in command and leadership. He has a flying experience of over 3,500 hours and a UK trained flying instructor pilot. He trained many fighter pilots during his career.</p> <p>He chaired Central Rift Valley Water Works Development Agency (CRVWDA) with great achievements. He is also heading a team of retired Officers and men to form an association which will contribute towards aviation industry in Kenya.</p> <p>Brig. (RTD) Stephen Njung'e Kihu is the Chairperson of the Governing Council.</p>
	 <p>Festus Mwanzi Peter</p> <p>MBA (Finance – ongoing) Undergraduate (Business Administration) CPA (K)</p>	<p>Mr. Festus Mwanzi Peter was born on 3rd July, 1977. He has completed course work of Master of Business Administration (MBA) Finance option degree course and currently writing research project. He further holds a degree in Business Administration from Kenyatta University and a Certified Public Accountant CPA (K), and a member of ICPAK.</p> <p>Currently, Festus is the Assistant Director Investments, The National Treasury having served as a Chief Investment Officer in the Government Investment and Public Enterprise (GIPE).</p> <p>Festus has served as a Sub county and Youth and Gender Officer, Acting District officer, Mukaa district youth office in Makueni county, Ministry of Youth Affairs and Sports, Department of Youth development as well as a Youth Officer II, Ministry of Youth Affairs and Sports in Makueni County.</p> <p>Mr. Festus is a member of Audit and Risk committee as well as Finance and Human Resource Committee.</p> <p>He is the representative of the Principal Secretary - The National</p>



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2.		Treasury.
3.	 <p>Ms. Malia Ndunga</p> <p>Masters (Corporate Communication) Undergraduate (Education)</p>	<p>Ms. Mary M Ndunga is a PhD student in Daystar University, holds a Master’s degree in Corporate Communication from the same university, Postgraduate Diploma in Mass communication from Kenya Institute of Mass Communication, A Bachelor’s degree, Maseno University, 2nd class upper Division, having majored in Kiswahili language, She also holds an Advanced Diploma in Public Administration from Kenya School of Government.</p> <p>She holds several certifications in: Strategic Leadership Development Programme (SLDP); Senior Management; Strategic Leadership, Emotional Intelligence, Result Based Initiative certificates as well as a National examiner in government secondary schools.</p> <p>Ms Mary Malia Ndunga has worked in various government Institutions; Ministry of Education, Ministry of Health, Ministry of Lands, Ministry of Housing, Transport and Infrastructure, State Department of Irrigation as well as Ministry of Water, Sanitation and Irrigation. She has also worked as A News Anchor with Royal Media which is a private owned media station. All these make her have a wide wealth of Experience.</p> <p>She is a member of Audit and Risk committee as well as Finance and Human Resource Committee</p> <p>She is the representative of the Principal Secretary - Ministry of Water & Sanitation and Irrigation</p>
4.	 <p>Ms. Lesley Khayadi</p> <p>Masters (Public Policy & Administration) Undergraduate (Arts)</p>	<p>Ms. Lesley Khayadi was born on 10th October 1972. She holds a Master’s Degree in Public Policy and Administration from Kenyatta University and a Bachelor of Arts from University of Nairobi.</p> <p>She has 14 years of experience working in Local Economic Development, governance, public finance and service provision. Her current position is Assistant Director Devolution in the Ministry of Devolution and Semi Arid Areas. Previously she has served as a Municipal Council town clerk in Ruiru, Mwingi, Vihiga, Bungoma, Webuye and Malaba, and Sub-County Administrator, County Government of Kiambu.</p> <p>Ms. Lesley Khayadi is the Alternate of the Principal Secretary, Ministry of Devolution and Semi Arid Areas. She is a member of the Finance and Human Resource Committee and the Academic, Research and Development Committees.</p>

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5.	 <p>Ms. Nancy Mugure Waweru</p> <p>MSc. (Environmental Engineering) BSc. (Civil Engineering)</p>	<p>Ms. Nancy Mugure was born in 1988. She holds a MSc. Degree in Environmental Engineering from SUST, China, and BSc Civil Engineering from University of Nairobi. She is an Associate Member of Association of Business Executives, United Kingdom (ABE-UK) and a trained Project Management Professional (PMP®). She is a member of Engineers Board of Kenya (EBK) and currently undertaking PhD in Civil Engineering at UoN. She is profoundly knowledgeable and analytic in the Built environment as a civil engineer and Project Management professional, where she offers consultancy services. She has remarkable commitment in teaching, research, service and other scholarly activities. She is a published scholar and presently a tutorial fellow at the University of Nairobi (UoN).</p> <p>Ms. Nancy Mugure Waweru is the Chairperson of the Audit and Risk Committee and a member of the Academic, Research and Development Committee.</p> <p>She is a representative of public Universities</p>
6.	 <p>Mr. Peter Kahara</p> <p>Masters (Economics) Bachelor of Arts (Economics)</p>	<p>Mr. Peter Kahara was born in 1969 and holds a Master's degree in economics (UoN), Bachelor's of Arts in Economics and Diploma in Teaching and Training from City and Guilds – UK.</p> <p>Mr. Kahara is an expert in Financial Management, Monitoring and Evaluation of Projects and Programmes, Strategic Planning and Development and Participatory Approaches to Training and Development. He has worked in UK for ABANTU as acting Regional Programmes Manager. Mr. Kahara has also worked in the Ministry of Water and Sanitation and also the Ministry of Planning as an Economist. He has experience working at Government, Private and Voluntary sectors at Senior Management levels.</p> <p>He is the Chairman of the Academic, Research and Development Committee and a member of the Audit and Risk Committee.</p> <p>He is an independent member of KEWI Governing Council representing private community based water and sanitation programmes.</p>
7.	 <p>Mr. Wilson Kipkazi</p> <p>Bachelor of Arts (Community Development)</p>	<p>Mr. Wilson Kipkazi was born in 1965 and holds BA (Hons) Community Development, Graduate Diploma Community Development and Certificate in Resource Mobilization and Fund raising techniques.</p> <p>Mr. Kipkazi has served the country in a number of capacities including Chairman of the NGO Council, Director KCC, Chairman Kenya Bankers Saving and Credit Cooperative Society. He has also served as a Director Kenya National Chambers of Commerce and Industry.</p> <p>He is the Chairman of the Audit and Risk Committee.</p> <p>Mr. Wilson Kipkazi is an independent member of KEWI Governing Council representing local Non-Governmental organization involved in activities related to the water sector.</p>
		<p>Eng. Peter Odhiambo Wanday was born in 1964 and holds BSc (Civil Engineering), University of Nairobi, Registered Consulting Engineer (Engineers Board of Kenya), Licensed Qualified Water Resource</p>

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8.	 Eng. Peter Odhiambo Wanday BSc. (Civil Engineering)	<p>Professional (Engineer), Fellow Member of the Institution of Engineers of Kenya</p> <p>Eng. Wanday has extensive experience spanning 31 years in the design, documentation, supervision, and contract administration of various infrastructural projects. Eng. Wanday has worked on infrastructure projects in several counties around East, Central and southern Africa.</p> <p>Eng. Peter Odhiambo Wanday is the Chairman of the Finance and Human Resource Committee and a member of the Academic, Research and Development Committee.</p> <p>He is a representative of Professional Bodies.</p>
9.	 Mr. Eric Cherop Koima Bachelor of Education	<p>Mr. Eric Cherop Koima was born on 21st July 1967 and holds a B.ED from Kampala International University, Diploma in Education Management, Diploma in Special Education and Certificate in Primary Teacher Education PTE.</p> <p>He has 20 years of teaching and education management experience.</p> <p>Mr. Koima is a member of Human Resource Committee as well as the Academic, Research and Development Committee</p> <p>He is an independent member of KEWI Governing Council representing registered water users associations.</p>
10.	 CPA Kennedy O. Riaga. MBA (Finance) Bachelor of Arts (Economics & Business Studies) CPA(K), CISA	<p>CPA Kennedy Ochieng Riaga was born in 1968. He holds an MBA (Finance), BA in Economics and Business Studies, Certified Public Accountant of Kenya and Certified Information Systems Analyst.</p> <p>He has 14 years experience in education and teaching and worked in the Mwalimu Sacco as a Senior Accountant for 8 years.</p> <p>He joined Kenya Water Institute in 2012 as a Senior Accountant. He has since risen through the ranks to Deputy Director Corporate Services where he served up to 11th November, 2020. On 3rd February 2021 the same contract was renewed for three years. On 26th November, 2021 he was appointed as the acting Director/CEO to date.</p>
11.	Corporate Secretary	<p>KEWI is in the process of hiring the Corporate Secretary. Mean while the Director/CEO is the one discharging the duties of that office.</p>

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3. Management Team

	Management	Details
1.	 <p>CPA Kennedy R. O. Riaga. MBA (Finance) Bachelor of Arts (Economics & Business Studies) CPA(K), CISA</p>	Ag. Director/CEO
2.	 <p>Eric Wamiti BED in Science, MSc in Social Statistics, PG Certificate in Spatial Modelling for Integrated Water Resources Management.</p>	Ag. Deputy Director Academic Affairs
3.	 <p>Leonard W. Makokha MSc in Computer based Information systems, BSc in Physics.</p>	Ag. Deputy Director Research, Consultancy & Technical services.

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4.	 Dorice Situma MSc in Environmental Chemistry, Bachelor of Education Science	Ag. Deputy Director Corporate Services
5.	 Carolyn K. Mburugu (B.Com. Accounting), CPA(K)	Ag. Manager Internal Audit and Risk Assurance
6.	Corporate Secretary	KEWI is in the process of hiring the Corporate Secretary. Mean while the Director/CEO is the one discharging the duties of that office.

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4. Chairperson's Statement

It gives me great pleasure to present to you the Kenya Water Institute Report and Financial Statements for the Financial Year 2021/2022. KEWI strives to be a world class leader in Training, Research, Consultancy and Outreach Services. This will be achieved through a deliberately well planned, carefully and transparently executed investment in Human Resource, teaching and learning systems and well developed physical facilities for both learners and trainers.

Financial Results:

During the period, the Institute received Ksh. 203,000,000 for recurrent budget and Ksh. 40,000,000 for development budget.

The Institute generated Ksh. 232,301,804 in Appropriation in Aid (AiA) compared to the previous period where Ksh. 118,371,009 was generated. This translates into 96% increase in AiA generation compared to previous year's collections.

Future Outlook:

The challenges being experienced in the Water, Sanitation and Irrigation sector in the country, places KEWI in an advantaged position as far as playing a critical role in capacity development for the sector. The Government focus on irrigated agriculture as a key strategy for addressing persistent food shortages and enhancing disposable income for those involved in agricultural activities provides the Institute with a massive opportunity to be a critical player in Kenya's economic development. It is in this regard that KEWI embarked on the process of constructing a Water Resource Centre to act as hub of water knowledge in the region. In the same line the Institute is sourcing for funds to complete the construction of the School for irrigation in Chiakariga Campus. It is envisaged that the school will enhance training for irrigation practitioners for the Country and the region. It is further envisaged that completion of those two major activities will also enhance research activities in the sector and create a platform for knowledge sharing especially on modern techniques of irrigation.

The other challenge that was experienced by the Institute was the reduction of the development budget in the supplementary budget by Ksh. 10,000,000 for equipping of the Water Resource Centre.

Acknowledgement:

As we soldier on in our quest to fulfil the Institute's mandate of providing Training, Research, Consultancy and Outreach Services to the Kenyan populace and beyond, it is my sincere appeal to the Government of Kenya to continue supporting the Council to make KEWI the fountain of water Knowledge.



Brig. (Rtd) Stephen Njung'e Kihu.
Chairperson, Governing Council
Date: 6th April, 2023.

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5. Report of the Chief Executive Officer

I present the Kenya Water Institute Report and Financial Statements for the FY 2021/2022. During this period, the Institute fared reasonably well as disbursements from the Government were received. The challenge that was faced by the institute was the reduction of the development budget in the supplementary budget by Ksh. 10,000,000 for equipping of the Water Resource Centre. I am pleased to report that KEWI 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 technical backstopping of the Parent Ministry.

Financial Results:

The Institute during the reporting period experienced a number of challenges majorly insufficient direct G.o.K budgetary allocations to enable the Institute to equip training and learning facilities which in return would attract more trainers.

During the reporting year, the Institute received Ksh. 203,000,000 for recurrent budget and Ksh. 40,000,000 for development budget.

The Institute also generated Ksh. 232,301,804 as Appropriation in Aid (AiA) compared to the previous year where Ksh. 118,371,009 was generated. This translates into 96% increase in AiA generation compared to last year's collections. The AiA collections of Ksh. 232,301,804 was below the targeted amount of Ksh. 250M. The shortfall was 7%. The shortfall was due to failure to attain the budget amount of drilling revenue and delayed completion of the Water Resource Centre.

Future Outlook:

Over the years KEWI has been unable to sufficiently enhance its human resources capacity in terms of numbers and am glad to report that additional resources will be made available to reduce the shortfall on remuneration vote. However allocation for implementation of programmes and development/improvement of infrastructure which is crucial for effective fulfilment of its mandate of capacity building, training, research and consultancy in the water sector was not addressed as expected.

KEWI plans to complete a number of projects, programmes and activities with an aim of diversifying her revenue streams so as to reduce the financing gap. It had been anticipated that by the close of the FY 2021/2022, KEWI would have completed the construction and equipping of the Water Resource Centre (WRC) however, this did not happen due to financial challenges, and this in turn affected the capacity of the Institute to generate more AiA to support operation and maintenance. However am glad to report that the Institute approved development budget for this Financial Year 2022/2023 is Kshs. 746,000,000 with Kshs. 500,000,000 and Kshs. 246,000,000 being for KEWI modernization and AfDB projects respectively.

Other programmes aimed at enhancing service delivery include maintaining and improving e-learning infrastructure, curriculum review and development, development of training and learning facilities in Kisumu, Kitui and Chiakariga campuses, and the initiation of programmes in other counties as stated in the KEWI's Strategic Plan 2021-2026.

It is envisaged that these projects and programmes will strengthen KEWI's revenue streams thus reducing her over reliance on the exchequer.

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Acknowledgement:

I would like to thank the Government through the Ministry of Water, Sanitation & Irrigation for the continued financial and technical support to KEWI. My heartfelt gratitude goes to the Cabinet Secretary, Ministry of Water, Sanitation & Irrigation and the Principal Secretary for their tireless support. I would like to thank the Governing Council for their leadership and direction. I also appreciate the contribution made by our development partners and other stakeholders in order to improve KEWI. To the management team, employees, students and guardians: I appreciate your cooperation and ideas, which have led to improved performance in service delivery during the year.

It is my sincere hope that you will all continue supporting KEWI in the coming years as she endeavours to deliver training, research, consultancy and outreach services in the water sector.



Leiro Letangule, Ph.D.
Director/CEO,
Kenya Water Institute
Date: 6th April, 2023.

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6. Statement of Performance against predetermined objectives for FY 2021 2022

KEWI has 5 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2021- FY 2026. These strategic pillars/ themes/ issues are as follows:

Key Result Area 1: Training and Human Resources Development

Key Result Area 2: Research, Innovation and Community Outreach

Key Result Area 3: Resource Mobilisation and Consultancy Services

Key Result Area 4: Institutional Capacity

Key Result Area 5: Leadership and Integrity

KEWI develops its annual work plans based on the above 5 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2021-2022 period for its xx strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Key Result Area 1: Training and Human Resources Development	To improve access, quality and relevance of training programmes and increase enrolment from 4,397 to 10,000 by 2026.	Level 6 CBET Curriculum Implemented	Design patterns of attendance for five CBET Level 6 programmes	Patterns designed
			Develop CBET assessment tools	CBET assessment tools developed.
			Sensitize 80 trainers on registration with TVETA , CBET and CBET implementation	Trainers sensitized
			Develop 6 CBET practical manuals	CBET practical manuals developed.
			Assess and certify 400 students	Students assessed.
		New CBET Programs Developed	Develop level 6 Water Information Technology and Level 4; a) Sewerage Operators Course b) Drilling Operations Course	Finalized in FY 2022/23

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		E-Learning Implemented	Enrol and train new 500 students	Over 500 students enrolled and trained
			Train additional 20 Staff as e-learning champions	Staff trained
		Water, Sanitation and Irrigation Reference Library Established	Train 50 staff and 400 students on e-resources access	52 staff and over 400 students trained
			Catalogue 15 e-resources quarterly	e-resources catalogued,
			Subscribe to 20 established journals	50 journals subscribed
		KEWI Accredited as a Technical Centre of Excellence in Training, Research, Innovation and Consultancy for the Water, Sanitation and Irrigation Sector	Registration of the Institution as a TVET Center	Registration renewed
			Register with the Kenya Association of Technical Training Institutions (KATTI)	Not finalized
			Register as a TVET Assessment and Certification Center	KEWI registered as a TVET Assessment and Certification Center
			Register as a TVET Recognition of Prior Learning Center	KEWI registered with TVETA
			Initiate the process of upgrading KEWI from Technical and Vocational College (TVC) to a National Polytechnic	Not finalized
Key Result Area 2: Research, Innovation and Community Outreach	To increase research outputs through publications, patents, innovations and outreach by 2026.	Science, Technology and Innovation Mainstreaming	Develop STI Strategy	STI Strategy developed
			Ensure annual budgetary allocation for R&D is at least 2% of the total allocated budget	Annual budgetary allocation for R&D is above the recommended 2% of the total allocated budget
			Undertake research & technology innovation and technology transfer & commercialization	Research undertaken.
			Disseminate research findings/ recommendations and technology innovations through conferences, workshops, seminars	NRW symposium conducted in 9th and 10th May, 2022

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		Research and Outreach Implemented	Groundwater/ Rainwater Harvesting project in Kitui	There was Financial constraints to facilitate research		
			Climate Smart Agriculture/ Small Scale Irrigation project in Tharaka Nithi /Garissa	A progress report was prepared		
			Land Degradation/ Land cover/ Land Use Mapping in Turkana/ West Pokot	Data collection done Data analysis and report developed		
			Water Quality/ hydrogeological survey: Nairobi Metropolitan areas	Water quality database developed- baseline Data analysed Report done		
			Non-Revenue Water and Water Governance	Report prepared and presented on Non-Revenue Management Symposium		
			Catchment Modeling /Aquaphonics in Kisumu	Reconnaissance study and Baseline survey done		
		Research Results Disseminated	Geographic Information Systems -Earth Observation symposium proceedings/ magazine	Magazine and book of abstracts developed and uploaded on the website		
			Geographic Information Systems Symposium (Non-Revenue Water and Water Quality)	NRW Management symposium held.		
		Key Result Area 3: Resource Mobilisation and Consultancy Services	To enhance KEWI financing by mobilizing Kshs. 38.07 Billion to support programmes and projects by 2026	Establish links/ partnerships	Establish links with 4 University Libraries	Not finalized
					Establish links with Kenya National library Services and with 3 other local libraries	Not finalized
Consultancy & technical services/planning resource mobilization and business development	Drill 5 Boreholes			5 Boreholes drilled		
	Test 500 water samples			Over 500 water samples tested		

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Key Result Area 4: Institutional Capacity	<p>(a) To increase KEWI staff establishment from the current 22% of the approved establishment to 100% and enhance their skills and competencies.</p> <p>(b) To expand KEWI physical infrastructure in all Campuses (movable and immovable assets) and capacity to provide for an additional 5,603 students moving from the current 4,397 to 10,000 by 2026.</p>			14 staff were absorbed
			Technical staff (lecturers, researchers, instructors, technicians)	
		Temporary Staff Absorbed	Support Staff	28 support staff were absorbed.
		Students Welfare Improved	Engage locum nurse in campuses	4 (Four) Locum nurses recruited
			Review KEWI Constitution	

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			Students Association Constitution	approved by the governing council
			Equip sickbay with facilities and equipment and drugs in all KEWI campuses	Nairobi campus equipped.
		Project implementation	Equipping of Water Resource Center	Equipping water resource centre is at 85%.
			ISO/IEC 17025-2017	80% of manuals done
Key Result Area 5: Leadership and Integrity	To strengthen internal corporate governance systems	Develop policies	Develop a CBET Curriculum development policy	draft policy awaiting Governing Council approval
			Develop Student's transition policy	draft policy awaiting Governing Council approval
			Develop a credit transfer policy	draft policy awaiting Governing Council approval
			Develop and implement a blended learning policy	Blended learning policy developed and implemented
			Develop a Water, Sanitation and Irrigation Reference Library policy	draft policy awaiting Governing Council approval

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7. Corporate Governance Statement

The Institute's governance, control and administration are vested in the Governing Council, whose members are nominated by the Cabinet Secretary in charge of Water, Sanitation & Irrigation and is composed of Government representatives from key Ministries and independent members drawn from different but relevant professional fields. The Governing Council is responsible for ensuring that Kenya Water Institute embraces and upholds good corporate governance and practices. The Council is accountable to Government through the Ministry of Water, Sanitation & Irrigation and is responsible for ensuring that the Institute complies with the highest standards of corporate governance and business ethics. One of its critical activities is to ensure the Institute conducts or delivers service to all with integrity and in accordance with generally accepted corporate practice and principles.

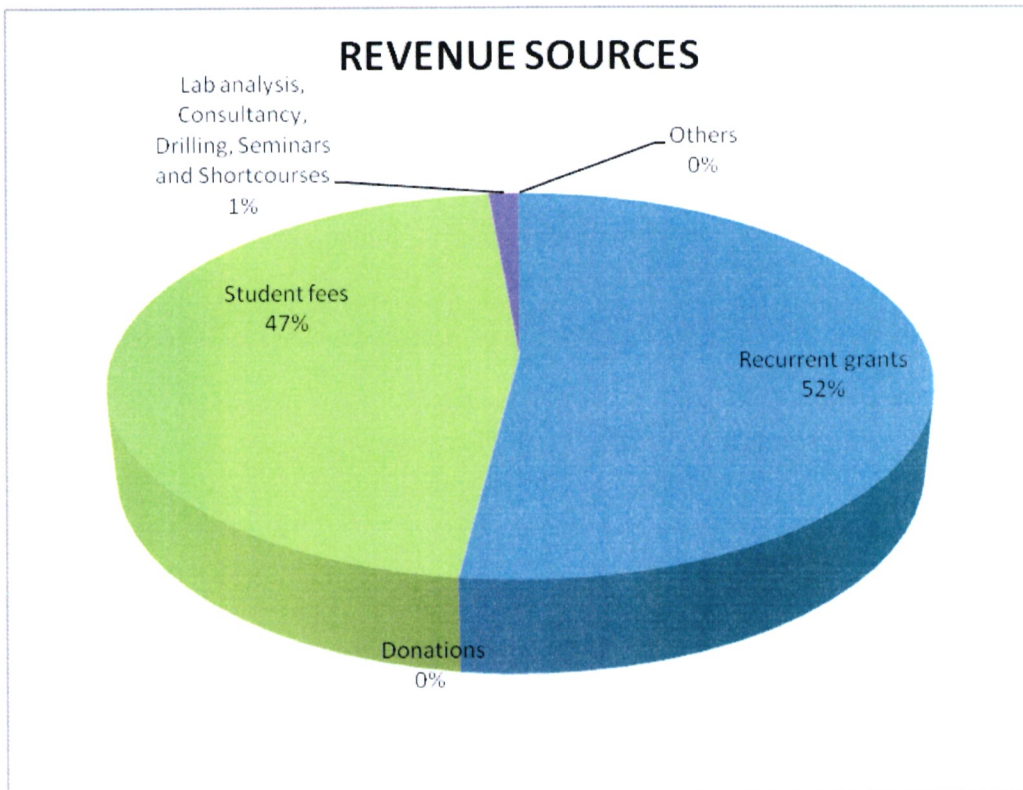
The Chairperson, Governing Council, Wilson Kipkazi and Eric Koima served for seven Months during the reporting period while the rest of the board members served up to 22nd June 2022. The Governing Council ensured that corporate governance and good business ethics were practised at all times during the reporting period. This enabled the Management to deliver on the Institute's strategic objectives and maintain effective control of the financial, operational and compliance issues.

Under the KEWI Act, the responsibility of appointing and removal of the Governing Council members and the Chairperson is vested in the Cabinet Secretary in charge of Water and Sanitation & Irrigation. While the process of appointment, roles, functions, remuneration and evaluation of the board is guided by Mwongozo. The institute has been observing the guidelines provided in Mwongozo strictly.

The Chairperson and the other members of the Governing Council were already inducted by State Corporation Advisory Committee and internally by Management.

8. Management Discussion and Analysis

Traditionally, the Institute has relied on grants from the Government to support its activities. Student fees contributed 47% of the total revenue generated during the year ended 30th June, 2022. This was second to the Government Grants which stood at 52%. The Management has taken cognizance of the fact that these two sources cannot sustain the operation of the Institution. The inflow of grants has continued to dwindle while the Institute has continued to expand both in terms of the students' intake and geographical coverage. Most of the students come from economically disadvantaged families hence increasing school fee to support them is not tenable. This has led to high rate of fee defaulters. Analysis of revenue by sources is given below:



In order to deliver her mandate within the aforementioned macro-economic environment, the Management has embarked on programmes aimed at raising revenue through commercial engagements. This include up scaling the drilling services, constructing an ultra- modern complex for conference facilities, engaging the industry to tailor made their training needs and offer short courses and grant proposal writing and consultancy in the industry.

This will reverse the worrying trend where the Institute's financial performance has been on deficits

9. Environmental and Sustainability Reporting

KEWI 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 goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The Institute takes cognizance of the Kenya Vision 2030, UN sustainable development goals, the Constitution of Kenya and other legal and policy documents in the implementation of its programs and is based on stakeholder participation, good governance and a professional approach to doing business.

ii) Environmental performance

Kenya Water Institute developed its Environment Policy in 2013. The Institute, recognizes that its operations have an effect on the environment; believes that it has a responsibility to care for and protect the environment in which it operates; commits to integrate the consideration of environmental concerns and impacts into all decision making and activities. The Institute recognizes key environmental impacts to be in areas as Procurement, Energy use, Water use, and Waste generation and management. The Institute therefore strives to; Comply with the constitution, legal requirements and voluntary commitments, Prevent pollution, Reduce risk, Use resources sustainably, Communicate its environment policy, Train to increase awareness and Improve continually.

iii) Employee welfare

iv) Market place practices

- a) Responsible competition practice
- b) Responsible supply chain and supplier relations
- c) responsible marketing and advertisement
- d) product stewardship

v) Corporate Social Responsibility/Community Engagements

KEWI defines Corporate Social Responsibility as the business strategy that defines the values underpinning the Institute's mission and the choices made each day by its staff as they engage with society. We believe in maximizing benefit of the resources bestowed to us, being accountable in whatever we do and responsive to stakeholders.

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Our Corporate Social Responsibility (CSR) encompasses the economic, environmental and social aspects of our business.

Under our economic view of CSR, we ensure costing of our products like charging college fee, drilling of boreholes and offering consultancy in the water sector is set at a point that does not exclude the less privileged. It will also be noted that, KEWI takes sharing of water knowledge as a moral obligation as such creating an environment that allows wide spread of the same to its key operations. This in essence has become the foundation of KEWI's programming which is rooted in corporate social responsibility principle.

Environment - KEWI being a training and research Institution for the water sector, sustainable management of the water resource is the backbone of the Institute, our training programmes on water resource management is specifically designed to enable the trainees acquire the knowledge of managing the water resources sustainably.

Our social aspect of CSR in KEWI places emphasis on Responsibility and Accountability. KEWI take the issue of CSR seriously as evidenced in our daily dealings, for instance when an employee is dealing with customer(s), the Institution expects him/her to behave in an honest and ethical manner. In that regard the issue of corporate social responsibility is quickly moving from a "nice to have" to an "absolutely must have."

As KEWI's mandate is to offer training, research, consultancy and outreach most of our specific CSR activities revolve around the water and natural resources, as will be seen from some of the activities undertaken and mentioned below;

Every year the institute has always undertaken servicing of community boreholes in selected counties. The period under review, KEWI trained selected water users in Kakamega with an aim of equipping them with skills necessary for them to continue servicing the boreholes that KEWI had drilled on behalf of NGAAF. This guaranteed sustainability of the project and providing a source of revenue to those trained. KEWI also on annual basis participates in the Ndakaini marathon, cleaning of the river banks and the general surrounding areas we operate in. KEWI was also involved in erecting water tanks in Kakamega County, as well as training residents on how to properly clean their hands in the fight against COVID 19 and other water borne diseases. The Institute participated in maintaining trees in Labwe forest and Kitui Campus and planting trees in Eldoret and Lamu. Participated in World Water Day. Most of these activities are made possible through partnerships and collaborations.

KEWI also has a mentorship programme, this programme targets school going girls, with an aim of mentoring them to be responsible students. The key focus of the programme is on encouraging girls to take science subjects, this was informed by the hitherto stereotype believe of science subjects/ courses being a preserve of men.

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10. Report of the Directors

The Directors submit their report together with the financial statements for the year ended June 30, 2022 which show the state of the Institute's affairs.

i) Principal activities

The principal activities of the Institute are to provide Training, Research, Consultancy and Outreach Services

ii) Results

The results of the Institute for the year ended June 30, 2022 are set out on page 1.

iii) Directors

The members of the Governing Council who served during the year are as shown in the table below.

S/ NO.	Name	Organization	Appointment Date	Designation
1	BRIG. (RTD) Stephen Njung'e Kihu	Independent	1 st April, 2021	Chairperson
2	Ms. Nancy Mugure Waweru	Representative of Public Universities	22 nd June 2019	Member
3	Mr. Wilson Kipkazi	Representative of Local Non-Government Organization	22 nd June 2019 – Ceased on serve on 8 th February, 2022	Member
4	Mr. Peter Kahara	Representative of Private Community Based Water & Sanitation P programmes	22 nd June 2019	Member
5	Eng. Peter Odhiambo Wanday	Representative of Professional bodies	22 nd June 2019	Member
6	Mr. Eric Cherop Koima	Representative of Registered Water Users Associations	22 nd June 2019 – Ceased to serve on 8 th February 2022	Member
7	Mr. Festus Mwanzi	Alternate to PS National Treasury	12 th August 2020	Member
8	Ms. Malia Ndunga	Alternate to PS Ministry of Water & Sanitation	Replaced Caroline Mugwe on 8 th February 2022	Member
9	Ms. Lesley Khayadi	Alternate to PS Ministry of Devolution & Planning	22 nd June 2019	Member
10	Kennedy R.O Riaga	Kenya Water Institute	26 th November, 2021	Secretary to the Governing Council.

iv) Surplus remission

The Institute did not make any surplus during the year (FY2021 Kshs Nil) and hence there was no remittance to the consolidated fund.

v) Auditors

The Auditor General is responsible for the statutory audit of the Kenya Water Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2022.

By Order of the Board


Leiro Letang, Ph.D.

Director/CEO/Secretary to the Governing Council.

KENYA WATER INSTITUTE
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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, and Kenya Water Institute Act, CAP.372A, Section 1*), require the Governing Council to prepare financial statements in respect of Kenya Water Institute, which give a true and fair view of the state of affairs of the Institution at the end of the financial period and the operating results of the Institute for that year. The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on June 30, 2022. 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 Institute; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kenya Water Institute Act, 2001. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30, 2022, and of the Institute's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the Institute'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 Institute 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 Institute's financial statements were approved by the Board on 30th August 2022 and signed on its behalf by:



Brig. (Rtd) Stephen Njung'e Kihu.
Chairperson, KEWI Governing Council



Leiro Letangule, Ph.D.
Accounting Officer

REPUBLIC OF KENYA



Enhancing Accountability

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA WATER INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Water Institute set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets,

statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Kenya Water Institute as at 30 June, 2022, 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 Institute Act, 2001 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unreconciled Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.25,580,053 and as disclosed in Note 17 to the financial statements. However, the balance excludes unrepresented cheque dated 11 December, 2015 amounting to Kshs.25,200 which is already stale and ought to have been reversed in the cash book. Further, the Institute did not prepare bank reconciliation statements for all the months except June, 2022, contrary to Public Finance Management National Government Regulations Sec 90.(1) which states that Accounting Officers shall ensure bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month and submit a bank reconciliation statement not later than the 10th of the subsequent month to the National Treasury with a copy to the Auditor-General.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.25,580,053 could not be confirmed.

2. Receivables from Exchange Transactions

2.1 Variances in Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.99,569,896 and as disclosed in Note 18A to the financial statements. However, the supporting schedule provided for audit, supports an amount of Kshs.93,189,656 resulting to unreconciled and unexplained variance of Kshs.6,380,240.

In the circumstances, the accuracy and completeness of receivables from exchange transactions balance of Kshs.99,596,896 could not be confirmed.

2.2 Long Outstanding Students Fees

The statement of financial position reflects receivables from exchange transactions balance of Kshs.99,569,896 as disclosed in Note 18A to the financial statements. This balance includes Students fees amounting to Kshs.43,151,752. However, the student fees have been outstanding for a period between three (3) years to thirty (30) years.

In the circumstances, the accuracy, completeness and recoverability of these long outstanding student fees amounting to Kshs.43,151,752 could not be confirmed.

3. Long Outstanding Staff Debts

The statement of financial position reflects receivables from non-exchange transactions amount of Kshs.14,703,615 as disclosed in Note 18B to the financial statements. This debt relates to staff receivables in form of outstanding imprests. However, this balance includes an amount of Kshs.4,842,413 in relation to imprests issued between years 2015 to 2019 that were not surrendered as at 30 June, 2022.

In the circumstances, the accuracy, completeness and recoverability of staff receivables of Kshs.4,842,413 could not be confirmed.

4. Unsupported Trade Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.941,815,881 as disclosed in Note 22 to the financial statements, which includes trade payables of Kshs.904,580,931 out of which Kshs.869,612,396 is in respect to Master plan, architectural, structural and civil drawings consultancy expenditure which is part of a contract sum that has not been agreed upon by the Institute and the Consultant and is under investigation by the parent ministry.

In the circumstances, the accuracy and completeness of trade payables amounting to Kshs.869,612,396 could not be confirmed.

5. Presentation of the Financial Statements

The statement of cash flows and the statement of financial position are not prepared in accordance and does not comply with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements which requires the statements to reflect comparative balances for only one year and not two years. Further the statement of cash flows does not reflect revenue and expenditure separately as per the statement of financial performance.

In the circumstances, the statement of cash flows and the statement of financial position have not been prepared as per the template prescribed by the Public Sector Accounting Standards Board.

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

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis amounts of Kshs.573,000,000. and Kshs.437,165,404 respectively resulting to an underfunding of Kshs.135,834,596 or 24% of the budget. Similarly, the Institute spent an amount of Kshs.448,887,198 against an approved budget amount of Kshs.573,000,000 resulting in an under-expenditure totalling to Kshs.124,112,802 or 22% of the budget.

The underfunding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matter

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Delayed Projects Completion

1.1 Proposed Interior Refurbishment, Fit Outs, Signage and Furnishing of KEWI Resource Centre

As previously reported, the Institute awarded a contract on 15 September, 2020 to a local company for interior refurbishment, fit out, signage and furnishing of the Resource Centre at a contract price of Kshs.69,823,860. Based on the agreed work plan, the work was to start on 28 January, 2021 to take 32 weeks and to be handed over on 14 September, 2021. Physical inspection conducted during the month of March, 2023 revealed that the works had not yet been completed.

In the circumstances, the delay in completion will deny the Institute, the benefits of the Resource Centre, resulting in project escalation cost and value for money may not be achieved.

1.2 Chiakariga Campus Classrooms Project

The statement of financial position reflects work-in-progress amount of Kshs.1,243,152,998 as disclosed in Note 21 to the financial statements which includes an amount of Kshs.17,268,014 in respect to construction of classrooms at Chiakariga Campus at a contract sum of Kshs.19,903,802. The works commenced on 27 September, 2017 for a period of forty-two (42) weeks, which was later extended by a further twenty-four (24) months to March, 2019. However, physical inspection conducted in the month of April, 2023 revealed that the classrooms were yet to be completed and the construction had stalled. In addition, the college gate which was part of this contract was fitted incorrectly (upside down). Further, the contractor had abandoned the site and the valid performance security bond was not provided for audit.

In the circumstances, the delay in completion will deny the Institute, the benefits of the classrooms, and value for money may not be achieved.

2. Anomalies in Construction of a Resource Centre

A Contract for construction of a Resource Centre was awarded to a construction firm at original contract price amount of Kshs.245,658,688 which was later revised to Kshs.266,616,477. The work commenced in 2015/2016 financial year. However, the following anomalies were noted:

- i. The vendor account reflects total payments of Kshs.287,229,378 to the contractor which includes direct payments of Kshs.275,338,793 and retention of Kshs.11,890,585. However, this amount exceeded the contract sum of Kshs.266,616,477 by Kshs.20,612,901 implying the Institute overpaid the contractor for undelivered works.
- ii. The building is a three storey building with one wing designed for hotel and accommodation, however, there is no lift installed making the building not suitable to persons with disabilities.
- iii. The building has a basement parking with a poor drainage, yet the geographical area has a history of perennial flooding. Therefore, there is a high risk of seasonal flooding which might weaken the foundation of the building.
- iv. Kitchen fittings have not been supplied while kitchen hardtops are in deplorable state.
- v. Poor workmanship as evidenced from chipped floor tiles and missing doors.
- vi. The retention money payable to the contractor amounted to Kshs.12,282,933. However, schedules supporting the retention payable reflects an amount of Kshs.11,890,585 resulting to an unexplained variance of Kshs.392,348.

In the circumstances, it was not possible to confirm the accuracy of the certificates paid and retention amount, defects noted and remedies done and that value for money on the construction of the Centre was not obtained.

3. Management of Imprest

3.1 Issuance of Multiple Imprest

Review of imprest management, revealed that Management issued some officers with multiple imprests. Eighteen (18) officers were issued with a cumulative imprest amount of Kshs.10,303,548, which had not been surrendered as at 30 June, 2022. This is in contravention of the requirements of Regulation 93(8) of the Public Finance Management (National Government) Regulations, 2015, which states that in order to effectively and efficiently manage and control the issue of temporary imprests, an Accounting Officer or AIE holder shall ensure that no second imprest is issued to any officer before the first imprest is surrendered or recovered in full from his or her salary.

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

3.2 Long Outstanding Imprest

Included in the receivables from non-exchange transactions balance of Kshs.14,703,614 are unsurrendered imprest totalling to Kshs.11,337,864 which have been outstanding for more than ninety (90) days, contrary to Public Finance Management Regulation, 2015 Section 93(5) which states that "A holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station". Management did not provide explanations why the imprest have been outstanding for long without recovery or evidence of efforts put in place to recover the imprest.

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

4. Lack of Training Needs Assessment Report

During the year under review, the Institute incurred an amount of Kshs.2,907,427 in respect to training and capacity building. However, the Institute did not prepare a training needs assessment report, contrary to Public Service Commission Human Development Policy of June, 2015 Section 2.3.1 which states that all training in public service organizations shall be based on comprehensive training needs assessment (TNA) to be conducted every three (3) years or as need arises. The aim is to identify performance gaps, determine their causes and recommend the appropriate interventions.

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

5. Irregularities in Procurement and Payment Request of Proposal (RFP) for Provision of Consultancy Services for Development of Master Plan, Architectural, Civil and Structural Drawings

- i. The Institute entered into a contract with a consultancy firm on 19 August, 2019, for consulting services to develop of Master Plan, Architectural, Civil and Structural Drawings for Kenya Water Institute Campuses vide contract reference RFP KEWI/RFP/004/2019.
- ii. The contract was signed on 19 August, 2019. However, the contract signed did not contain a contract sum, contrary to the proposal document item 2.4 preparation

of proposal document Clause 2.4.3 which states that consultants should express the price of their services in Kenya shillings.

- iii. At the time of signing the contract on 19 August, 2019, the institute had a budget of only Kshs.30,000,000 for consultancy services, contrary to Public Procurement and Asset Disposal Act, 2015 Section 53(8) & 9, (8) which states that an Accounting Officer shall not commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates. (9) An Accounting Officer who knowingly commences any procurement process without ascertaining whether the good, work or service is budgeted for, commits an offence under this Act.
- iv. It was also not clear why the Institute entered into contract with a consultancy firm with an open contract that did not have a determined contract price leaving it at liberty for the consultant to determine the value for their own interest.
- v. The consultants raised the first fee note No. F.1 on 02 November, 2020 of Kshs.869,612,396. However, this fee note was not factored in the financial statements as a liability and work in progress in the financial year 2020/2021.
- vi. As at the time of audit in the month of March, 2023 the Institute had paid one hundred million Kenya shillings (Kshs.100,000,000) to the consultant on 24 October, 2022.
- vii. However, review of board minutes revealed that, the Governing Council of the Institute in a meeting held on 14 October, 2022 instructed the Director not to make any payment regarding the fee note to the consultant on account that the fee note had pending investigation on the contract by an ad-hoc evaluation committee appointed by the Institute's Governing Council. However, the Director at that time, went ahead and authorized the payment without the knowledge of the Governing Council of the Institute.

In the circumstances, the regularity of the contract and value for money on the project could not be confirmed.

6. Violation on a Third Rule on Basic Pay

Analysis of the payroll for the twelve months (12) revealed that various employees received net pay, which was below a third (1/3) of their basic pay. This is contrary to Section 19(3) of the Employment Act, 2007 and Section C.1(3) of the Public Service Human Resource Policies and Procedures Manual 2016, which states that Public Officers shall not over-commit their salaries beyond two thirds (2/3) of their basic salaries and Heads of Human Resource should ensure compliance.

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

7. Employees Acting for More Than Six (6) Months

The statement of financial performance reflects employee cost of Kshs.218,052,219 and as disclosed in Note 12 to the financial statements. Included in this expenditure is acting

and special duty allowances of Kshs.3,844,844, paid to twenty-eight (28) officers who have been acting for more than 6 months. Further, some officers have been paid special duty allowance to act in those positions for more than 10 years. This is contrary to Public Service Commission Human Resources Policies Manual May, 2016 Section C.15(4) which states that special duty allowance will not be payable to an officer for more than six (6) months.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, 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. Understaffing in Staff Establishment

According to the Institute's organization structure, grading and staff establishment of May, 2018, the Institute's staff establishment is three hundred and fourteen (314) employees. However, the Institute had only one hundred twenty-three (123) substantive employees in place. This translates to 39% of the staff establishment. The Institute may not be able to deliver its full mandate due to lack of adequate staff as per the approved establishment.

In the circumstances, efficiency and effectiveness of service to the public by the Institute could not be confirmed.

2. Lack of Policies and Procedures Supporting the Operations and Administration of the Microsoft Dynamic 2009 R2 in Revenue Collection

During the year under review, the Institute used Microsoft Dynamic 2009 R2. However, the following anomalies were noted in the system:

There are no policies in place governing the operations of the Microsoft Dynamic 2009 R2 with regard to revenue collection. Although the Institute's revenue collection is

cashless, it is however highly manual and there is a lot of intervention during the collection and recognition of revenue. For instance:

- (i) Money deposited in the bank and bank slips presented to the Institute cannot be immediately confirmed as correct using bank statements or online banking.
- (ii) A bank deposit slip can be used to pay for several activities at the Institute, which are recognized as being different revenue streams and are captured differently in the Institution's accounting system. It is therefore not possible to trace the revenue collected and how it was treated.
- (iii) In some instances, bank slips received by the Institute were not stamped or had not been signed that they had been receipted by the Institute, hence the risk of being plucked and being reused again.
- (iv) Bank slips have a risk of being used in different Institutes if they are duplicated since the revenue collection system does not have the ability to lock out already receipted bank slips and other payments.
- (v) Amounts paid via bank, Mpesa or bank card/visa cards have to be manually fed into the Microsoft Dynamic 2009 R2.
- (vi) The data kept by the admission office and accounting department cannot be matched. Invoices are raised using the student registration number while the receipts are raised using the student name which is not a unique Identifier.

The Institute does not maintain a separate collection account or revenue account to ensure accountability and transparency on the revenue they have receipted and how the revenue was spent.

The student data by the admission office and the accounting department could not be matched. Invoices raised and the receipts paying these invoices could not be matched therefore, the audit could not confirm which invoices had been settled and by which receipts.

In the circumstances, the efficiency and effectiveness of the revenue system and accuracy and completeness of the self-generated revenue could not be confirmed.

3. Lack of a Debt Collection Policy

Review of debtors' policy revealed that the Institute has not implemented a Debt Collection Policy, hence there are no guidelines on how the recovery of debts for the Institute's customers should be done.

In the circumstances, guidelines on debt collection and action to be taken in case of non-recovery could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 Governing Council

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

In preparing the financial statements, Management is responsible for assessing the Institute'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 Institute 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 Governing Council is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability 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 Institute 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 Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 May, 2023

KENYA WATER INSTITUTE
Annual Report and Financial Statements
for the year ended 30 June 2022

13. Statement of Financial Performance for the year ended 30 June 2022

	Note	2021/2022	2020/2021
		Kshs	
Revenue from non-exchange transactions			
Government grants & Other Donations	7	204,863,600	207,982,205
		204,863,600	207,982,205
Revenue from exchange transactions			
Rendering of services	8	228,331,031	97,654,349
Rental revenue from facilities and equipment	9	3,350,871	2,100,504
Other income	10	619,902	18,616,155
		232,301,804	118,371,008
Total revenue		437,165,404	326,353,213
Expenses			
Use of Goods and Services	11	142,322,309	95,946,897
Employee costs	12	218,052,219	227,129,136
Remuneration of Governing Council	13	21,630,911	12,095,938
Depreciation and amortization expense	14	24,185,530	25,297,136
Repairs and maintenance	15	8,267,994	9,900,097
Contracted services	16	9,676,987	6,081,034
Total expenses		424,135,950	376,450,239
Surplus(Deficit) for the Year		13,029,454	- 50,097,026

The notes set out on pages 6 to 21 form an integral part of these Financial Statements.

The Financial Statements set out on pages 6 to 21 were signed on behalf of the Governing Council by:



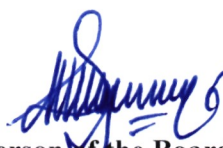
Director/CEO
 Leiro Letangule, Ph.D.

Date: 06/04/23



Head of Finance
 Eunike Mososi
 ICPAK Member No: 22362

Date: 06/04/2023



Chairperson of the Board
 Brig. (Rtd) Stephen Njung'e Kihu.

Date: 06 April 2023

KENYA WATER INSTITUTE
Annual Report and Financial Statements
for the year ended 30 June 2022

14. Statement of financial position as at 30 June 2022

		FY 2021/2022	FY 2020/2021 (Restated)	FY 2020/2021
Assets				
Current assets				
Cash and cash equivalents	17	25,580,053	11,568,814	11,568,814
Receivables from exchange transactions	18A	99,569,896	86,301,842	86,301,842
Receivables from Non- exchange transactions	18B	14,703,614	13,423,654	13,423,654
Inventories	19	8,913,844	10,717,646	10,717,646
Total Current Assets		148,767,407	122,011,957	122,011,957
Non-current assets				
Property, plant and equipment	20A	1,464,445,478	1,477,569,370	1,477,569,370
Work In Progress	21	1,243,152,998	1,198,436,984*	328,824,588
Total Non- Current Assets		2,707,598,476	2,676,006,353	1,806,393,957
Total assets		2,856,365,883	2,798,018,310	1,928,405,914
Liabilities				
Current liabilities				
Trade and other payables from exchange transactions	22	941,815,881	942,609,777*	72,997,381
Refundable deposits from students	23	4,506,500	2,736,480	2,736,480
Provisions for Audit fees		580,000	580,000	580,000
Deferred income	24	22,611,235	18,269,240	18,269,240
Total liabilities		969,513,616	964,195,497	94,583,101
Net assets				
Capital Reserves		144,184,894	144,184,894	144,184,894
Revaluation Reserves		1,393,516,687	1,393,516,687	1,393,516,687
Revenue Reserves		66,870,322	53,840,868	53,840,868
Capital Fund		282,280,364	242,280,364	242,280,364
Total net assets		1,886,852,267	1,833,822,813	1,833,822,813
Total net assets and liabilities		2,856,365,883	2,798,018,310	1,928,405,914

*The FY 2020/2021 Statement of Financial Position was restated to recognize fee note of Ksh. - 869,612,396 for Master plan, architectural, structural and civil drawings consultancy, which was omitted. The restatement is as follows:

- Work in Progress: Ksh. 1,198,436,984 (Reported Ksh. 328,824,588+Consultancy Fee Note Ksh. 869,612,396)
- Trade and Other payables from exchange transactions: Ksh. 942,609,777(Reported Ksh. 72,997,381+Consultancy Fee Note Ksh. 869,612,396)

The Financial Statements set out on pages 6 to 21 were signed on behalf of the Governing Council by:



Director/CEO
Leiro Letangule, Ph.D.



Ag. Head of Finance
Eunike Mososi
ICPAK Member No: 22362



Chairperson of the Governing Council
Brig. (Rtd) Stephen Njung'e Kihu.

Date: 06/04/23

Date: 06/04/2023

Date: 06 April 2023

KENYA WATER INSTITUTE
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for the year ended 30 June 2022

15. Statement of Changes in Net Assets for the year ended 30 June 2022

	Capital Reserves	Development Grants	Revaluation Reserves	Revenue Reserves	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 June 2020	144,184,894	222,280,364	1,393,516,687	103,937,893	1,863,919,838
Addition for the period	-	20,000,000	-	-	20,000,000
Surplus/(deficit) for the period	-	-	-	(50,097,025)	(50,097,025)
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2021	144,184,894	242,280,364	1,393,516,687	53,840,868	1,833,822,813
Addition for the period	-	40,000,000	-	-	40,000,000
Surplus/(deficit) for the period	-	-	-	13,029,454	13,029,454
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2022	144,184,894	282,280,364	1,393,516,687	66,870,322	1,886,852,267

The first Kenya Water Institute audited accounts for the FY 2003/2004 shows that the original valuation of Kenya Water Institute Property, Plant and Equipment to the tune of Kshs. 141,627,439 was carried out by a valuation firm in the year 2000 and Kshs. 125,578,337 valuations by an inter-ministerial technical committee on transition of Kenya Water Institute to a Semi-Autonomous Government Agency. These valuations have been used to come up with the reported capital reserves of Ksh.144, 184,894.

In the Financial Year 2013/2014, the Institutes' assets were revalued at Kshs 1,393,516,687 and this is the valuation used to come up with the reported revaluation reserve of Kshs 1,393,516,687.

KENYA WATER INSTITUTE
Annual Report and Financial Statements
for the year ended 30 June 2022

16. Statement of Cash Flows for the year ended 30 June 2022

		FY 2021/2022	FY 2020/2021 (Restated)	FY 2020/2021
	Notes	Kshs	Kshs	Kshs
Cash flow from Operating Activities before changes in working capital				
Surplus for the period		13,029,454	- 50,097,025	- 50,097,025
Adjustment for depreciation		24,185,530	25,297,136	25,297,136
		37,214,985	- 24,799,889	- 24,799,889
Changes in working capital				
Increase in Receivables	18A/18B	- 14,548,014	22,243,942	22,243,942
Decrease in Inventories	19	1,803,802	- 4,660,370	- 4,660,370
Increase in Payables	22/23/24	5,318,119	835,905,113*	- 33,707,283
Net Cash flow generated from operating activities		- 7,426,093	853,488,685	- 16,123,711
Cash flow from Investing Activities				
Acquisition of Property, Plant and Equipment & WIP	20A/21	- 55,777,652	- 912,528,315*	- 42,915,919
Net Cash flow from financing activities		40,000,000	20,000,000	20,000,000
Net Decrease in Cash and Cash equivalents		14,011,239	- 25,176,238	- 25,176,238
Cash and cash equivalents at the start of year		11,568,814	36,745,052	36,745,052
Cash and cash equivalents at end of year		25,580,053	11,568,814	11,568,814


*The FY 2020/2021 Cash Flow Statement was restated to recognize fee note of Ksh. - 869,612,396 for Master plan, architectural, structural and civil drawings consultancy, which was omitted. The restatement is as follows:

- Increase in Payables: Ksh. 835,905,113 (Reported Ksh. - 33,707,283 + Consultancy Fee Note Ksh. 869,612,396)
- Acquisition of Property, Plant and Equipment & WIP: Ksh. - 912,528,31 (Reported Ksh. - 42,915,919 + Consultancy Fee Note Ksh. - 869,612,396)

The Financial Statements set out on pages 6 to 21 were signed on behalf of the Governing Council by:


Director/CEO
Leiro Letangule, Ph.D.


Ag. Head of Finance
Eunike Mososi
ICPAK Member No: 22362


Chairperson of the Board
Brig. (Rtd) Stephen Njung'e Kihu.

Date: 06/04/23

Date: 06/04/2023

Date: 06 April 2023

**Annual Report and Financial Statements
for the year ended 30 June 2022**

17. Statement of Comparison of Budget and Actual amounts for the year 30 June 2022

	Note	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Performance Difference	Difference %	Explanation of material variances
		2021-2022	Shs	2021-2022	Shs	2021-2022	Shs	2021-2022	Shs			
Revenue												
Government grants and Other Donations	7	323,000,000	-	-	323,000,000	204,863,600	- 118,136,400	-37%				
Rendering of services	8	241,000,000	-	-	241,000,000	228,331,031	- 12,668,969	-5%				
Rental revenue from facilities and equipment	9	5,000,000	-	-	5,000,000	3,350,871	- 1,649,129	-33% a)				
Other income	10	4,000,000	-	-	4,000,000	619,902	- 3,380,098	-85% b)				
Total income		573,000,000	-	-	573,000,000	437,165,404	- 135,834,596					
Expenses												
General expenses	16	165,998,260	-	-	165,998,260	131,174,979	34,823,281	21%				
Compensation of employees	11	200,633,740	-	-	200,633,740	218,052,219	- 17,418,479	-9%				
Remuneration of Governing Council	12	20,000,000	-	-	20,000,000	21,630,911	- 1,630,911	-8%				
Rent paid	13	2,868,000	-	-	2,868,000	4,306,456	- 1,438,456	-50% c)				
Repairs and maintenance	14	7,500,000	-	-	7,500,000	8,267,994	- 767,994	-10%				
Contracted services	15	6,000,000	-	-	6,000,000	9,676,987	- 3,676,987	-61% d)				
Development Expenditure	20A/21	170,000,000	-	-	170,000,000	55,777,652	114,222,348	67% e)				
Non-Cash Expenses		573,000,000	-	-	573,000,000	448,887,198	124,112,802					
Depreciation & Amortization	13	-	-	-	-	24,185,530	-					
Bad Debts		-	-	-	-	6,840,874	-					
Development Expenditure						55,777,652						
Total expenditure		573,000,000	-	-	573,000,000	424,135,950	124,112,802					
Surplus for the period	-	-	-	-	-	13,029,454	- 259,947,397					

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Budget notes

- a) The negative variance in rental revenue from facilities and equipment is as a result of reduced activities on short courses and seminars and workshops.
- b) The other income is miscellaneous in nature. During the reporting period, there was a change in the reporting template where increase or decrease in provision for bad and doubtful debts has to be accounted for under other incomes.
- c) The variance was as a result of new revised land rates which were received during the Year.
- d) The variance in the Contracted services is as a result of increased cost of security services and accounting for services offered by armed security officers.
- e) The variance in the Development Expenditure is as a result of AfDB grant which was budgeted for but not received, thus no expenditure was incurred.

18. Notes to the Financial Statements

1. General Information

Kenya Water Institute (KEWI) was established by and derives its authority and accountability from Kenya Water Institute Act No. 11, 2001. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institutes' principal activity is to provide directly or in collaboration with other institutions of higher learning services in human resource development, consultancy, research and development, training programmes, seminars and workshops in the water sector on a commercial basis and to conduct examinations and award diplomas, certificates and other awards to successful candidates.

2. Statement of Compliance and Basis of Preparation

The KEWI financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Institute and all values are rounded to the nearest Shilling (Ksh). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost modified to include the revaluation of certain classes of assets and estimation of extra useful life of the fully depreciated assets unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

Standard	Impact
IPSAS First time adoption of Accrual Basis IPSAS	33: Kenya Water Institute adopted International Public Sector Accounting Standards in the year ended 30 th June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the Institute.
IPSAS Separate Financial Statements	34: Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS Consolidated Financial Statements	35: Kenya Water Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply

KENYA WATER INSTITUTE
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for the year ended 30 June 2022

Standard	Impact
IPSAS Investments Associates Joint Ventures	36: Kenya Water Institute does not have investments in associates or joint ventures. in ventures. and
IPSAS Joint Arrangements	37: Kenya Water Institute does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS Disclosure Interests in Other Entities	38: Kenya Water Institute does not have any interests in other entities and therefore the standard does not apply. of

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from exchange transactions

Rendering of services

Fees represent invoiced value of services rendered during the year in relation to training, consultancy and miscellaneous revenue taking care of the deferred income. However, this revenue is recognized on accrual bases.

Other Income

This constitutes miscellaneous, sale of tender and surcharges. These are revenues that do not recur and are not earned from the Institute's core activities. They are recognized when earned.

Rental revenue from facilities and equipment

This is revenue earned from hiring out conference halls, grounds and rental income from staff houses. This revenue is recognized when earned.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. 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 in order to conclude the final budget.

The Institute'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 actual as per the statement of financial performance has been presented on page 5 of these financial statements and report.

c) Revenue from exchange transactions

These are revenues received from non- arms- length transactions. They include recurrent grants from the Government, as well as, donations from development partners. These are recognized when received.

d) Employee Benefit

The Institute has sponsored a defined contribution pension scheme for permanent staff whereby it contributes 15% while the employees contribute 7.5% of the basic salary. For employees on contract, the Institute pays gratuity at the expiry of the contract, which is calculated at the rate of 31% of the basic salary. The Institute has a medical cover for all permanent employees.

e) Property, Plant and Equipment

Kenya Water Institute property, plant and equipment are stated at cost less accumulated depreciation and amortization 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 the statement of financial performance as and when 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.

Depreciation and amortization is calculated on a straight-line basis at annual rates estimated to write off carrying values of the assets over their expected useful lives at the rates below:

Buildings	2.00%
Plant and Equipment	12.50%
Furniture	10.00%
Motor Vehicles	20.00%
Computers	30.00%
Software	20.00%

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, Paybill A/C and cash at bank, The Institutes Bank account balances include amounts held at the Kenya Commercial Bank and National Bank at the end of the financial year.

g) Research and development costs

Kenya water Institute expenses research costs as and when incurred. Development costs on an individual projects are recognized as intangible assets when the Entity can demonstrate:

- Its intention to complete and its ability to use the asset
- How the asset will generate future economic benefits or service potential

KENYA WATER INSTITUTE
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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 statement of financial performance.

h) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost comprises expenditure incurred in the normal course of business, including direct material costs on a weighted average basis. Net realizable value is the price at which the stock can be realized in the normal course of business after allowing for the costs of the realization and, where appropriate, the cost of conversion from its existing state to a realizable condition. Provision is made for obsolete, slow moving and defective stocks as and when determined.

i) Receivables

These comprise of; receivables from exchange transactions, that is, trade receivables, student receivables and prepayments; and receivables from non exchange transactions - staff receivables. The receivables from exchange transactions are aged into: 1-30, 31-60, 61-90 and > 90 days. They are recognized when earned and accounted for, net of provision for bad and doubtful debts

j) Bad and doubtful debts

Specific provision is made for all known doubtful debts. Bad debts are written off when all reasonable steps to recover them have been taken without success. The institute's policy on provision for bad debts is 15%, 20%, 25% and 35% for debts aged, 1-30, 31-60, 61-90 and > 90 days respectively.

k) Deferred Income

The Institute defers incomes that have been received but not yet earned; this applies to tuition fees and accommodation charges due to long term course students.

l) Refundable Deposits from Students

This constitutes the amounts held by the Institute on behalf of students in the form of caution money. These deposits are refundable on completion of the course and the student claims.

m) Related Parties

The institute is wholly owned and controlled by the government. Thus, no subsidiaries and directors who have shares in the Institute. related parties of the Institute include; National Government, County Governments, Governing Council

n) Subsequent events

The Institute is committed to making disclosures for any significant changes that occur after the closure of the financial period, that are likely to influence decision making.

KENYA WATER INSTITUTE
Annual Report and Financial Statements
for the year ended 30 June 2022

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. These assumptions include:

- a) The Government will continue support the Institute's budgetary requirement that will be demanded by the entire water sector.
- b) The macroeconomic environment will be conducive for the Institute to continue discharging her mandate.
- c) The Kenya Water Institute legislation that is proposed will be enacted and will include training levy fee in the water sector.
- d) There shall be a continued demand for Kenya Water Institute Courses and programs in the water sector.

NOTES TO THE FINANCIAL STATEMENTS

6. Transfers from Ministries, Departments and Agencies

Name of The Entity Sending The Grant	Amount Recognized to of Statement Financial Performance	Amount Recognized in Capital Fund	Total Transfers 2021-2022	Prior Year 2020-2021
	KShs	KShs	KShs	KShs
Ministry of Water & Sanitation	203,000,000	40,000,000	243,000,000	207,753,562

	2021 2022	2020-2021
	Kshs	Kshs
7. Public Contributions and Donations		
Donations (NUFFIC)	1,863,600	228,643
Total	1,863,600	228,643
8. Rendering of services		
Tuition fees - Students	125,558,975	58,907,550
Registration fees-500004	881,300	478,100
ID Card	981,700	550,100
Examination Fee-500007	13,080,250	7,542,000
Accommodation-500001	20,138,520	9,240,246
Kitchen Cash Sales	641,465	667,055

KENYA WATER INSTITUTE
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Graduation fees	4,745,300	2,018,700
Student Refers	752,250	350,550
Students lunch fee	67,800	54,650
Lab analysis	5,501,752	4,997,500
Consultancy fee	5,368,300	633,000
Application fee	830,530	790,730
Seminars and Workshops	275,280	736,774
Short Courses	19,192,890	3,467,066
Drilling Revenue	15,788,269	-
Activity fee	2,870,500	1,657,000
KUCCPS Processing Fee	216,000	154,500
Medical examination	375,000	-
Students Welfare	6,759,200	3,227,228
Students Medical	4,305,750	2,181,600
Total	228,331,031	97,654,349
9. Rental revenue from facilities and equipment		
Hire of Conference Facilities	3,350,871	2,100,504
10. Other Revenues		
Miscellaneous Income	516,262	106,616
Sale of Tender Documents	5,000	3,000
Library fines and Staff Surcharges	20,310	515,685
Cheque Clearance fee	4,830	490
Gain on Disposal of Assets	-	-
Rental income	73,500	
Decrease in provision for the bad and doubtful debts	-	17,910,340
Total	619,902	18,536,130
11. Use of Goods and Services		
Electricity	7,376,811	5,332,222
Water & Connections	1,445,798	2,338,629
Gas Expenses	3,633,307	1,766,500
Telephone Expenses	1,430,953	1,598,923
Internet Connections	3,220,537	3,537,867
Postal & Courier	186,095	134,652
Publishing & Printing	958,025	989,705
Subscription to Newspapers	96,000	99,940
Advertising	2,875,200	1,865,207
Trade Shows	58,100	336,872
Payment of Rent & Rates	4,306,456	4,024,950
Training Expenses	964,884	620,461
Graduation Expenses	1,646,295	593,918
Catering Expense	6,285,458	5,001,871
Plant, Equip & Machinery Insurance	1,100,883	377,400
Motor Vehicle Insurance	1,442,018	372,742
Fungicides	386,308	282,842
Purchase of Workshop Tools	1,521,128	2,254,084
Lab Materials & Supplies	2,825,324	6,339,682

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Education & Lib Supplies	493,510	505,000
Food & Rations	23,098,574	8,549,288
Purchase of staff uniforms	592,730	287,242
Purchase of Beddings	1,860,800	37,000
General Office Supplies	6,198,551	7,140,640
Supplies & Accessories	832,669	373,501
Sanitary & Cleaning Materials	2,908,498	12,909,632
Refined Fuels - transport	2,468,382	1,873,111
Bank Charges	620,573	546,163
Membership Fees, Dues	1,119,400	666,150
Sports & Related Activities	1,123,655	472,000
Legal fees	210,262	394,589
Audit Fees	1,160,000	580,000
Bad Debt	6,840,874	-
Research Expenses	1,430,740	978,488
Pre-Feasibility	32,920,379	15,026,424
Capacity Building	1,938,543	366,216
Drilling Expense	12,652,115	4,769,057
Irrecoverable taxes	-	1,146,360
Hire of transport	835,629	1,302,286
Value Added Tax	1,256,848	155,284
Total	142,322,309	95,946,897
12. Employee costs		
Salaries & Wages	133,933,912	120,917,687
Medical Insurance	15,680,909	26,390,149
Group Personal Insurance	614,970	861,602
Contribution to Pensions	8,597,630	7,358,736
Gratuity	759,903	8,948,092
Travel Costs-Domestic	641,250	2,000,307
Accommodation-Domestic	-	936,380
Daily Subsistence-Domestic	13,686,640	18,364,472
Travel Costs(Airlines)-Foreign	-	-
Accommodation-Foreign	-	-
Daily Subsistence Allowance- Foreign	295,507	76,995
Other allowances	16,913,909	15,744,921
Housing allowances	26,839,646	25,099,116
Overtime payments	87,943	430,682
Total	218,052,219	227,129,136
13. Remuneration of Governing Council		
Chairman's Honoraria	582,857	240,000
Other allowances	21,048,054	11,855,938
Total Governing Council Emoluments	21,630,911	12,095,938
14. Depreciation and amortization expense		
Property, plant and equipment	24,185,530	25,297,136
Intangible assets	-	-
Total depreciation and amortization	24,185,530	25,297,136

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15. Repairs and maintenance		
Maintenance of Motor vehicles	2,060,362	2,571,942
Maintenance of computers	2,074,124	254,037
Maintenance of buildings & stations	2,082,493	5,208,858
Maintenance of office furniture	27,600	38,400
Maintenance of Plant & machinery	1,223,640	531,192
Refurbishment of buildings	799,775	1,295,668
Total	8,267,994	9,900,097
16. Contracted services		
Contracted Guards	9,676,987	6,081,034
Contracted Technical Services	-	-
Total	9,676,987	6,081,034
17. Cash and cash equivalents		
Account with Kenya Commercial Bank-current -1107760585	14,869,552	4,625,802
Account with Kenya Commercial Bank -Project Account - 1169807860	7,886,930	82,030
Account with National Bank -01232002334300	2,798,119	-
KEWI Paybill Account - 4004040	24,431	6,860,982
Cash in Hand	1,020	-
Total	25,580,053	11,568,814
18A. Receivables from exchange transactions		
Trade Receivables	137,093,975	119,941,490
Less: Prov. For bad debts	- 43,730,213	- 36,889,339
Net Receivables	93,363,762	83,052,151
Prepayments	6,206,134	3,398,309
Total	99,569,896	86,450,460
18B. Receivables from Non- exchange transactions		
Staff Receivables	14,703,615	13,423,654
Net Receivables	14,703,615	13,423,654
19. Inventories		
Main Campus	6,104,940	8,168,240
Kisumu Campus	113,491	123,301
Chiakariga Campus	2,497,710	2,318,980
Kitui Campus	197,703	107,125
Total	8,913,844	10,717,646

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20A. Property, plant and equipment Cost	Land		Buildings		Motor vehicles		Furniture and fittings		Plant and Equipment		Computers		Total	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1st July 2020	1,044,642,000	487,301,089	-	23,000,000	14,726,097	84,202,639	20,116,728	1,673,988,553						
Additions	-	-	-	-	774,900	271,500	3,511,643	4,558,043						
Disposals	-	-	-	-	-	-	-	-						
At 30th June 2021	1,044,642,000	487,301,089	-	23,000,000	15,500,997	84,474,139	23,628,371	1,678,546,596						
Additions	-	5,996,690	-	-	257,900	3,482,400	1,324,649	11,061,639						
Disposals	-	-	-	-	-	-	-	-						
At 30th June 2022	1,044,642,000	493,297,779	-	23,000,000	15,758,897	87,956,539	24,953,020	1,689,608,235						
Depreciation	-	-	-	-	-	-	-	-						
At 30th June 2020	-	68,128,396	-	23,000,000	7,562,023	62,147,307	14,842,364	175,680,090						
Depreciation	-	9,746,022	-	-	1,550,100	10,559,267	3,441,748	25,297,136						
On Disposals	-	-	-	-	-	-	-	-						
At 30th June 2021	-	77,874,418	-	23,000,000	9,112,123	72,706,574	18,284,111	200,977,227						
Depreciation	-	9,865,956	-	-	1,575,890	10,994,567	1,749,118	24,185,530						
On Disposals	-	-	-	-	-	-	-	-						
At 30th June 2022	-	87,740,373.58	-	23,000,000.00	10,688,012.70	83,701,141.38	20,033,228.60	225,162,757.26						
Net book values														
At 30 June 2022	1,044,642,000	405,557,405	-	-	5,070,884	4,255,398	4,919,791	1,464,445,478						
At 30 June 2021	1,044,642,000	409,426,671	-	-	6,388,874	11,767,565	5,344,260	1,477,569,370						
Rates	Nil	2%	20%	10%	12.50%	30.00%								

NB: The computation of the depreciation charge for the motor vehicles and computers for the financial year 2021/2022 is as per the following schedule since some of them had been fully depreciated.

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20B. Intangible Assets	Shs
Cost	
At beginning July 2020	9,276,740
Additions	-
At end of June 2021	9,276,740
At beginning July 2021	9,276,740
Additions	-
At end of June 2022	9,276,740
Amortization	
At beginning of July 2020	9,276,740
Additions	-
At end of June 2021	9,276,740
At beginning of July 2021	9,276,740
Additions	-
At end of June 2022	9,276,740
Amortization	
At end of June 2021	9,276,740
Net Book Value	-
Rate	20%

	2021-2022	2020-2021 (Restated)	2020-2021
21. WIP			
Relates to Water Resource Centre, Mechanical Production Unit, Kitui Campus Fencing, and Construction of an Irrigation and Drainage Engineering block and a Gate at KEWI Chiakariga Campus, Kisumu Campus fencing and Modernization of KEWI Infrastructure.			
WIP b/f	1,198,436,984	1,160,079,108*	290,466,712
Additional WIP for the year	44,716,013	38,357,876	38,357,876
	1,243,152,997	1,198,436,984	328,824,588
<i>*The Work in Progress for FY 2020/2021 was restated to recognize fee note of Ksh. 869,612,396 for Master plan, architectural, structural and civil drawings consultancy, which was omitted - Ksh. 1,160,079,108 (Reported Ksh. 328,824,588+Consultancy Fee Note Ksh. 869,612,396)</i>			
22. Trade and other payables from exchange transactions			
Staff Payables	210,018	3,284,785	3,284,785
Student Payables	17,331,001	3,162,840	3,162,840
Trade Payables <i>*The Trade Payables for FY 2020/2021 was restated to recognize fee note of Ksh. 869,612,396 for Master plan, architectural, structural and civil drawings consultancy, which was omitted - Ksh. 920,429,576 (Reported Ksh. 50,817,180+Consultancy Fee Note Ksh. 869,612,396)</i>	904,580,931	920,429,576*	50,817,180
Retention Fee	19,693,932	15,961,220	15,961,220
Total	941,815,881	942,609,777	72,997,381

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	2021	2022	2020-2021
	Kshs		Kshs
23. Refundable Deposits from Students			
Caution Money		3,371,250	1,601,250
Medical funds		1,135,250	1,135,230
		4,506,500	2,736,480
24. Deferred Income			
Tuition fee		19,795,825	15,817,750
Accommodation fee		2,815,410	2,451,490
Total		22,611,235	18,269,240
25. Capital Fund			
GOK Development Grants		40,000,000	20,000,000
		40,000,000	20,000,000

26. Prepayments	VALUE	CONTRACT PERIOD	REMARKS	Prepayment	Expense for the Year 2021/2022
VENDOR NAME					
BRITAM LIFE ASSURANCE	1,100,883	8.7.21 TO 7.7.2022	Property plant & Equipment insurance	-	1,100,883
PIONEER GENERAL INSURANCE LIMITED	833,410	12.04.22 TO 11.04.2023	Motor Vehicle Insurance	625,058	208,353
SANLAM GENERAL INSURANCE LIMITED	819,960	12.10.21 TO 11.10.22	Group Personal Accident Insurance	204,990	614,970
JUBILEE INSURANCE CO.	10,752,173	11.01.22 TO 10.01.23	Staff Medical Insurance	5,376,087	5,376,087
	13,506,426			6,206,134	7,300,292

27. The Construction Work in Progress of Ksh. 1,243,152,997 is in respect of Water Resource Centre, Mechanical Production Unit, Kitui Campus Fencing, and Construction of an Irrigation and Drainage Engineering block and a Gate at KEWI Chiakariga Campus, Kisumu Campus fencing and Modernization of KEWI Infrastructure.

**The Work in Progress for FY 2020/2021 was restated to recognize fee note for Master plan, architectural, structural and civil drawings consultancy, which was omitted: Ksh. 1,243,152,997(Reported FY 2020/2021 Ksh. 328,824,588+Consultancy Fee Note Ksh. 869,612,396+ Additions FY 2021/2022 Ksh. 44,716,013)*

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28. Board Expenses

Board expenses comprise of sitting allowance, Board Travel Expenses and Chairpersons' Honoraria

29. Refundable Deposits from students

This constitutes the amounts held by the Institute in form of students' caution money.

30. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

34. Government Grants:

The government grants are recognized when realized and spread throughout the financial year. Recurrent grants constitute 52% of the Institutes revenue.

35. Leave Pay:

The leave allowances are recognized when the employees take the leave. There exist no material outstanding leave allowances to warrant alternative treatment.

36. Contingent liabilities:

In the year 2016, Kenya Revenue Authority audited the Institute for the period July 2011 to June 2016 and assessed an amount of Ksh.51M claimed to be outstanding tax. However, the Institute raised an objection where there was a directive that the Institute settles what's not in objection, i.e. 18M. A payment plan was agreed between the Kenya Revenue Authority and the Institute to be settling Ksh 500,000 every Month for six (6) months as per letter dated 6th August 2020. The payment plan was subject to review after the end of the period.

Due to the historical nature of the liabilities KRA officials agreed to be generating the Payment Registration Number (PRN) and send it to KEWI for payment. So far KEWI has received PRN for Kshs. 2M and paid in full. But since October, 2020 KEWI is yet to receive any PRN despite continuous reminders from the Institute.

37. Composition, Nature, and Purpose of Reserves:

The reserves comprise of accumulated revenue and capital reserves as set out in the Statement of changes in the Owners' Funds.

38. In the FY 2013/2014, the Institute received 40M as grants which were utilised to procure computer trainers

Financial Risk Management

Financial risk management is the process of understanding and managing the financial risks that your business might be facing either now or in the future. The idea is to understand what risks organisation

is willing to take, what risks you would rather avoid, and how organisation is going to develop a strategy based on your risk appetite.

The key to any financial risk management strategy is the plan of action. These are the practices, procedures and policies your business will use to ensure it does not take on more risk than it is prepared for. In other words, the plan will make it clear to staff what they can and cannot do what decisions need escalating, and who has overall responsibility for any risk that might arise.

Risk is inherent in any business operation and good risk management is essential if organisation is going to identify and stop revenue leakage. Of the various types of risks an organisation might face, financial risk has the most immediate impact on your cash flows and going concerns. One can anticipate these risks and head them off at the pass with a solid financial risk management plan. Anything that relates to **money flowing in and out of the business is a financial risk**. Since the list of potential risks is so long, most analysts place them into one of four categories as market, credit, liquidity and operational risk. The Institute is exposed to these risks in course of executing its mandate. The Institute's risk policy focuses on mitigating the adverse effects in the event that the said risks crystallises. The Governing Council through the Audit and Risk Committee gives policy direction on the overall risk management and sets the risk appetite levels. The Management is responsible for assessing and profiling the various risks, their treatment and overall risk Management.

i) Credit Risk

Credit risk is the possibility that the organisation will lose money because someone fails to perform according to the terms of a contract. Organisations must retain sufficient cash reserves to cover their accounts payable or they are going to experience serious cash flow problems.

Credit risk is the risk of financial loss to the Institute when customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the operations and that a counterparty will be unable to pay amounts in full when due. There is an implied credit rating when dealing with various customers based on the amount and previous experience.

The Institute manages, limits and controls concentration of credit risks periodically against internal and regulatory requirements with respect to individual parties

- Salary advance and salary in advance to staff have been serviced and are kept low
- All amount due from the government grants was received
- No collateral is held for any of the Institute's assets

The Institute establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables by providing for bad and doubtful debts.

To mitigate credit risk

The Management is responsible for oversight of the Institute's credit risk through

- For exchange transactions, customers make a deposit before drilling work is commenced
- Establishing approval to granting credit to customers

ii) Liquidity risk

Also known as funding risk, this category covers all the risks you encounter when trying to sell assets or raise funds. If something is negatively affecting in the ways of raising cash fast, then it is classified as a liquidity risk. Liquidity risk also includes **currency risk** and **interest rate risk**. What would happen to cash flows if the exchange rate or interest rates were to suddenly change? In KEWI prospective risk can arise that the Institute is unable to meet its short term obligation and long-term maturing obligations when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed operations, without incurring unacceptable losses. The Institute has a list of all liabilities and assets in maturity date order.

The analysis below shows the financial liabilities that will be settled on the remaining maturity date as of the financial statements date to the contractual maturity date.

To mitigate liquidity risks

- Students pay 60% before they are admitted and the balance before sitting for the exams
- For exchange transactions, clients make 30% deposit before the work can commence
- The Institute has ensured that all government grants are timely disbursed
- There is a good working capital management where all payables are known and planned for save for the real emergency once which is rare. This is managed through innovative entering into contracts that are negotiated to be paid 30 days after delivery or completion of the assignment
- There is a follow of revenue from trade debtors to ensure they honor their obligations
- There fidelity guarantee of officers handling cash and insurance of cash in the office and in transit, and reduction of payment in cash

iii) **Market Risks**

As the name implies, a market risk is any risk that comes out of the marketplace in which your organisation operates. More generally and whatever sector you're in, every business runs the risk of being outpaced by competitors. If organisation does not keep up with consumer trends and pricing demands, then it is likely to lose market share. The objective of market risk management policy is to protect and enhance the Statements of Financial Position and performance by managing and controlling market risk exposures within acceptable parameters. The Institute is exposed to the following market risks: -

a) **Foreign exchange risk**

Most of the carrying amounts of the Institute currency is denominated in local currency, Kenya Shillings. Thus changes in the Kenya Shilling, any appreciation or depreciation against the other currencies will have no direct impact on the Institute's reporting. During the financial year 2018/2019, the foreign exchange loss was insignificant.

b) **Interest rate risk**

The Institute's financial condition may be adversely affected as a result of changes in interest rate levels. The interest rate risk is minimal as the Institute does not have any borrowings. Equally, the Institute does not hold investment that would be subject to interest rate risk; hence this risk does not apply.

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:

2. Operational Risks

Operational risk is a term that covers all the other risks an organisation might encounter in its daily operations. Staff turnover, theft, fraud, lawsuits, unrealistic financial projections, poor budgeting and inaccurate marketing plans can all pose a risk to the going concern line if they are not anticipated and handled correctly.

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Institute's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risk arising from legal and statutory requirement. The Institute seeks to ensure that key operational risks are managed in a timely and effective manner through a framework

of policies, procedures and tools to identify, assess, monitor, control and report such risks. The Management has the overall responsibility of ensuring compliance to operational risk policies and procedures.

a. Compliance and regulatory risk

Compliance and regulatory risk include the risk of non-compliance with regulatory requirements. The Institute has complied with all externally imposed requirements throughout the year.

b. Legal risks

c. The likelihood of the potential loss arising from the uncertainty of legal proceedings, including reputational loss, arising from defective transactions or contracts, labor disputes, claims being made or some other event resulting in a liability or the loss for the Institute. A court case of the former Director on alleged unfair termination was ruled in his favor. The case was determined at a total cost of Ksh. 8,211,290. The Institute has fully settled the amount.

47. Related Parties

The institute is wholly owned and controlled by the government. Thus, no subsidiaries and directors who have shares in the Institute.

Details of other related parties are as follows;

a) National Government

The institute is under the Ministry of Water and sanitation& Irrigation and grants of Ksh. 243,000,000 were received; recurrent grant of Ksh. 203,000,000 and development grant of Ksh. 40,000,000. Besides, the ministry sponsor their technical staff to be trained in the institute.

b) County Governments

The institute actively trains the technical staff of water companies from the County Governments. In addition, the counties sponsor students on long term courses.

Kenya Water Institute offers consultancy and outreach programmes to the same institutions mentioned above, the main client being the Nairobi City Water and Sewerage Company, Kakamega and Turkana County Governments.

c) Governing Council

This is the body entrusted with the overall management of the institute. The members do not earn a salary except the chair who earns honoraria of Ksh. 80,000 per month. The other council members only benefit from sitting and other applicable allowances.

	2020-2021	2021-2022
	Kshs	Kshs
Transactions with related parties		
a) Purchases from related parties		
Purchase of electricity from KPLC	7,376,811	5,332,222
Purchase of water from government service providers	1,445,798	2,338,629
Total	8,822,609	7,670,851
b) Grants/ Transfers from the government		
Grants from national government	243,000,000	227,753,590
Total	243,000,000	227,753,590
c) Key management compensation		
Governing council emoluments	21,630,911	12,095,938
Compensation to key management	20,476,840	8,184,518
Total	42,107,751	20,280,457

50. Capital commitments

Capital commitments this financial year were in respect of the following approved projects:

Commitments Kshs

- | | |
|---|------------|
| a) Equipping of Water Resource Centre | 40,000,000 |
| b) Irrigation & Drainage Engineering block & a Gate | 2,731,985 |

Total

42,731,985

51. Taxation:

The Institutes major source of income comprises of government grants. In addition, the Institute is a non-commercial entity, thus, exempt from paying corporation taxes. However, the Institute is a withholding agent for VAT, Withholding income tax and PAYE.

52. Events after the Reporting Period

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

53. Ultimate and Holding Entity

The Entity is a Semi- Autonomous Government Agency under the Ministry of Water, Sanitation and Irrigation. Its ultimate parent is the Government of Kenya.

52. Currency

The Institute financial statements have been presented in Kenya shillings (Kshs)

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19. Appendix

Appendix 1: Implementation Status of Auditor-general's Recommendations

Audit basis	Management response to Audit opinion	Current status
<p>1. Property, Plant & Equipment</p> <ul style="list-style-type: none"> - The Institute has included in its statement of financial position land valued at Kes 1,044,642,000, however the Institute has not secured the land by obtaining valid title deeds. - The Institute acquired a piece of land in Kisumu in FY 2013/14. However, the Management did not have in their custody documents to support the purchase: - Official search document, transfer form dully executed, survey plan of this land, letter of consent from the commissioner of lands or Land Control Board, valuation report for stamp duty purposes and the sale agreement dully executed. 	<p>The Management has developed terms of reference for legal services to help acquire title deeds for the parcels of land in Nairobi, Kitui and Chiakariga campuses; and also to convert the certificate of title for the parcel of land in Kisumu. The procurement process is ongoing.</p>	<p>Not Resolved</p>
<p>2. Receivables</p> <p>2.1 Receivables from exchange transactions</p> <ul style="list-style-type: none"> - The Institutes' statement of financial position reflects receivables from exchange transactions of Kes 67,119,264. Out of this amount, Kes 40,826,061 relates to student receivable which is doubtful since some of the students had left the Institute three years back. 	<p>The Institute trains students amongst which are students sponsored by the Parent Ministry for long term courses. Some of the students whose fee is in arrears were sponsored by the Ministry of Water and Sanitation; the Ministry has not paid the Institute the amounts owing.</p> <ul style="list-style-type: none"> - The Institute has started the process of identifying the long outstanding doubtful debts which are not likely to be recovered with a view to seeking authority from the national Treasury to write them off. -The Institute has put in place measures in place to recover outstanding staff 	<p>Not Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>2.2 Receivables from Non-exchange transactions</p> <p>- The statement of financial position reflects receivables of Ksh 17,685,000 from non-exchange transaction. Out of this amount, Ksh 10,359,079 represents net staff receivables aged over 90 days.</p>	<p>receivables, including recovery from the payroll. In addition, controls have been put in place to minimize the amount of staff receivables.</p>	<p>Not Resolved</p>
<p>3. Cash and cash equivalents.</p> <p>The bank reconciliation report for current bank account balance was not produced to support an amount of Ksh 13,712,028</p>	<p>-This has since been rectified and bank reconciliation report as at 30th June 2018 has been availed.</p>	<p>Resolved</p>
<p>4. Irregular and illegal paid salaries</p> <p>-The Institute incurred Ksh 164,289,439 as employee cost in the period ended 30th June 2017. Ksh 2,595,920 was in respect of a senior lecturer who had been seconded to a position of a Ag. Chief Executive Officer, for UNESCO category II. However, the Institute continued paying the employee despite the fact that he was not serving the Institute.</p>	<p>-Mr. Lekoomet was appointed as the acting Director for Regional Centre on Groundwater Resources Education, Training and Research in Eastern Africa on deployment with effect from 4th February, 2016 vide Cabinet Secretary Ministry of Water and Irrigation letter no. MWI/UN/11/9 VOL.IV (96) dated 30th March, 2016. Kenya Water Institute deployed the officer to the organization and continued paying him salary as the regulation on deployment is not clear on who is to pay an officer on deployment. In addition to this, the organization whose creation and operationalisation was contracted by the Institute in their performance contract for the period 2010/2011 to 2013/2014 did not have the budgetary allocation to recruit her own staff. Hence the deployment of the officer by the Institute.</p>	<p>Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>5. Un-vouched Expenditure -The Institute incurred Ksh 142,816,736 under the general expenses. However, payment vouchers totalling to Ksh 15,942,138 were not made available for audit review.</p>	<p>The payment vouchers are now available</p>	<p>Resolved</p>
<p>6. Trade and other payables. -Trade payable balance of Ksh 66,532,237 was outstanding as of 30th June 2017. However, the schedule for the creditors provided for audit lacked crucial information such as: - goods supplied or services rendered, invoice numbers, delivery notes among others to authenticate the payables. -The payables had not been aged thus making it difficult to establish how long the amounts have been outstanding.</p>	<p>-Immediately the contract issue is sorted with the service provider by the Management, the vendor will be requested to configure the system to produce reports with the details required. However, payment vouchers showing all the details were availed for audit verification. This arose because the system was not configured to produce an aged report. To date, this has been resolved and the system is able to age payables.</p>	<p>Resolved</p>
<p>OTHER MATTERS 1. Financial performance – The statement of financial performance shows a deficit of Ksh 52,441,295 for FY 2015/16 and Ksh 70,225,712 as of 30th June 2017. No explanation has been provided for the huge accumulating deficit that impacts</p>	<p>-The trend shall reverse as the Institutes recurrent budget has been adjusted upwards by the Ministry from Kes 140,880,000 to Kes 215,753,560 in the year 2018/2019. The management has put in place mechanisms to raise more internally generated funds so as to expand the revenue base.</p>	<p>Resolved</p>
<p>2. Comparative budget and actual amounts – The Institutes development budget for the year was Ksh 51M. However, the Institute showed an expenditure of Ksh 1,706,814 translating to 3.3% of the budget. The reason given for the</p>	<p>The dispute has since then been resolved and an agreement reached and the contractor resumed works in February 2019. -In the financial year 2018/2019, the institute committed part of the internally generated revenue to cover development expenditure to complete the Water Resource Centre.</p>	<p>Resolved</p>

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Audit basis	Management response to Audit opinion	Current status
<p>variance was failure to pay the contractor of Water Resource Centre due to the dispute of the works.</p> <p>-Proper scrutiny established that part of the development money had been used in other programmes yet no explanation had been provided on when and how the development budget was to be implemented.</p>	<p>3. Financial statements (Entity Information and Management)</p> <p>i) Details of the roles played by the fiduciary oversight body, membership, attendance of meetings and how their mandate was executed in the year under review.</p> <p>The corporate governance statement had no details of:-</p> <p>a) The board meetings held and attendance</p> <p>b) The succession plan</p> <p>c) The Institute Charter</p> <p>iii) The Management discussion and analysis section has not captured the extent of performance in the year under review in relation to the Institute's mission</p>	Resolved
<p>3. Financial statements (Entity Information and Management)</p> <p>i) Details of the roles played by the fiduciary oversight body, membership, attendance of meetings and how their mandate was executed in the year under review.</p> <p>The corporate governance statement had no details of:-</p> <p>a) The board meetings held and attendance</p> <p>b) The succession plan</p> <p>c) The Institute Charter</p> <p>iii) The Management discussion and analysis section has not captured the extent of performance in the year under review in relation to the Institute's mission</p>	<p>Fiduciary oversight body.</p> <p>a. Independent internal audit function</p> <p>b. Audit and Risk Committee of the Governing Council</p> <p>2. Execution of the mandate during 2016/2017FY, inter alia</p> <p>a. The committee supervised the Internal Audit function</p> <p>b. Communicated with the internal and external auditors</p> <p>c. Evaluated the adequacy of the control environment and provided assurance on the systems of internal control</p> <p>d. Performed other roles and mandate as stipulated in Audit Committee regulations of April 2015</p> <p>3. Meetings</p> <p>Six Audit and Risk Committee meetings were held during the time of the GC which expired on 19th February, 2018</p> <p>a. 20th Meeting was held on 21/09/2016</p> <p>b. 21st meeting held on 18/11/2016</p> <p>c. 22nd meeting held on 6/01/2017</p> <p>d. 23rd Meeting held on 31/03/2017 on</p> <p>e. 24th meeting held on 20th June 2017</p> <p>f. SM, Special Meeting was held on 8/05/2017</p>	Resolved

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Audit basis	Management response to Audit opinion	Current status																																																								
	<p>4. Membership of the Audit and Risk Committee</p> <p>a. Chairman-From Professional bodies</p> <p>b. Representative from Non-Governmental Organization-Association of Water Users</p> <p>c. Representative from the National Treasury</p> <p>d. Representative from the Ministry of Devolution</p> <p>e. Director of Water Services</p> <p>f. Secretary-Head of Internal Audit-Independent function</p> <p>5. Meetings attendance</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Meeting/Members</th> <th>20th</th> <th>21st</th> <th>22nd</th> <th>23rd</th> <th>24th</th> <th>SM</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>1 Chairman</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">6/6</td> </tr> <tr> <td>2 Rep. NGOs</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">6/6</td> </tr> <tr> <td>3 Rep. N. Treasury</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">X</td> <td style="text-align: center;">6/6</td> </tr> <tr> <td>4 Rep. Dir. Water Service</td> <td style="text-align: center;">O</td> <td style="text-align: center;">X</td> <td style="text-align: center;">O</td> <td style="text-align: center;">X</td> <td style="text-align: center;">O</td> <td style="text-align: center;">X</td> <td style="text-align: center;">3/6</td> </tr> <tr> <td>5 Rep. Min. of Devolutio</td> <td style="text-align: center;">O</td> <td style="text-align: center;">X</td> <td style="text-align: center;">O</td> <td style="text-align: center;">O</td> <td style="text-align: center;">O</td> <td style="text-align: center;">X</td> <td style="text-align: center;">2/6</td> </tr> <tr> <td>Total members present</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> <td style="text-align: center;">5</td> <td></td> </tr> </tbody> </table> <p>-17 Full board meeting (including special meetings)</p> <p>-5 Programme and development committee meetings</p> <p>-12 Audit and risk committee meetings</p> <p>-5 Finance and administration committee meetings.</p> <p>-The KEWI governing council composition is guided by the Institute's Act, which states that the responsibility of appointing is vested in the hands to the CS in charge of Water, the said Act is silent on when and how to appoint. This has lead to GC members being appointed at the same time and leave at the same time.</p> <p>Management has initiated the process of reviewing the Act and one of the recommendations is have the board appointments staggered. This will</p>	Meeting/Members	20 th	21 st	22 nd	23 rd	24 th	SM	Total	1 Chairman	X	X	X	X	X	X	6/6	2 Rep. NGOs	X	X	X	X	X	X	6/6	3 Rep. N. Treasury	X	X	X	X	X	X	6/6	4 Rep. Dir. Water Service	O	X	O	X	O	X	3/6	5 Rep. Min. of Devolutio	O	X	O	O	O	X	2/6	Total members present	3	5	3	4	3	5		
Meeting/Members	20 th	21 st	22 nd	23 rd	24 th	SM	Total																																																			
1 Chairman	X	X	X	X	X	X	6/6																																																			
2 Rep. NGOs	X	X	X	X	X	X	6/6																																																			
3 Rep. N. Treasury	X	X	X	X	X	X	6/6																																																			
4 Rep. Dir. Water Service	O	X	O	X	O	X	3/6																																																			
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Audit basis	Management response to Audit opinion	Current status
	<p>address the succession challenges being experienced.</p> <ul style="list-style-type: none"> -With the incoming of the Mwongozo, the Institute did not develop the Institutes charter. The Institute adopted Mwongozo. -The Institute entered in to performance contract with the parent Ministry which was in line with the Institutes mandate, the Ministry continued monitoring the Institutes performance and finally evaluated the same. Thereafter, the final evaluation was done by the performance Contracting Unit and rated KEWI's performance as Good. 	

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Director/CEO

Date: 06/04/2023

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Appendix II: Projects implemented

Appendix III: Inter-Entity Confirmation Letter

The Ministry wishes to confirm the amounts disbursed to you as at 30th June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

KENYA WATER INSTITUTE				
Break down of Transfers from the State Department of Water and Sanitation				
FY 2021/2022				
a.	Recurrent Grants	Bank Statement Date	<u>Amount (KShs)</u>	The Amounts relate to FY 2021/2022
		11/08/2021	16,916,667	2021/2022
		07/09/2021	16,916,666	2021/2022
		29/09/2021	16,916,666	2021/2022
		04/11/2021	16,916,667	2021/2022
		02/12/2021	16,916,667	2021/2022
		10/01/2022	16,916,666	2021/2022
		17/02/2022	16,916,667	2021/2022
		02/03/2022	16,916,667	2021/2022
		04/04/2022	16,916,666	2021/2022
		09/05/2022	16,916,667	2021/2022
		07/06/2022	16,916,667	2021/2022
		30/06/2022	16,916,667	2021/2022
		Total	203,000,000	
b.	Development Grants	Bank Statement Date	<u>Amount (KShs)</u>	The Amounts relate to FY 2021/2022
		26/08/2021	12,500,000	2021/2022
		29/10/2021	12,500,000	2021/2022
		16/05/2022	7,500,000	2021/2022
		06/07/2022	7,500,000	2021/2022
		Total	40,000,000	

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

Finance Manager
 KENYA WATER INSTITUTE

Sign 

Head of Accounting Unit
 WATER & SANITATION

Sign.....