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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF WATER
RESOURCES MANAGEMENT AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2014**





Water Resources Management Authority

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Water Resources Management Authority was established by an Act of Parliament, under Section 7 of the Water Act, 2002 of the Laws of Kenya. Water Resources Management Authority (WRMA/Authority) is a State Corporation created by the Water Act gazette Notice Number 8 of 2002. It was operationalized in July 2005- under the current Ministry of Environment, Water and Natural Resources. The Authority's principal mandate is to work as the Lead Agency in the management of water resources in Kenya.

At cabinet level, WRMA is represented by the Cabinet Secretary for Environment Water and Natural Resources, who is responsible for the general policy and strategic direction of the Authority.

(b) Principal Activity

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

Our Vision

To be a global player in Water Resources Regulation and Management

(c) Key Management

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

- i.) The Governing Board;
- ii.) The Chief Executive Officer; and
- iii.) Management

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive officer	Eng. Philip J. Olum Hsc.
2.	Finance and Administration Manager	CPA/CS James Ambuso Omondi
3.	Technical Coordination Manager	Eng. Joseph M. Kinyua

(e) Entity Headquarters

Water Resources Management Authority
NHIF Building, 9th floor
Ragati Road
P. O. Box 45250-00100
Nairobi, KENYA

(f) Entity Contacts

Tel. 2732291, 2729048/48
Fax. 2729950
E-mail: wrma@wrma.or.ke
Website: www.wrma.or.ke

(g) Entity Bankers

1. National Bank of Kenya
Hill Branch
P.O. Box 45219-00100
Nairobi, Kenya
2. Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 48400 - 00100
Nairobi, Kenya
3. Cooperative Bank of Kenya
Nairobi Business Centre
P.O. Box 19555-00202
Nairobi, Kenya
4. Equity Bank
Community Branch
P.O. Box 75104-00100
Nairobi, Kenya

(h) Independent Auditors

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

(i) Principal Legal Adviser

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

(j) Lawyers





1. Prof. Albert Mumma & Company Advocates






5th avenue office suites
5th floor suite no. 1
5th Ngong Avenue
P.o Box 10481 – 00100
Nairobi


2. Rachier & Amollo Advocates

Mayfair center 5th floor
Ralphe bunche rd
P.o box 55645-00200
Nairobi




II. THE BOARD OF DIRECTORS

1		<p>Hon. Peter L.N. Kiilu, EBS</p> <p>Board Chairman Water Resources Management Authority</p> <p>Career Administrator and Civil servant of many years' experience</p>
2		<p>Eng. Philip J. Olum, HSC</p> <p>CEO and Secretary To The Governing Board.</p> <p>A registered engineer holding undergraduate and postgraduate qualifications with over 30 years' experience in the Water Sector</p>
3		<p>Hon. Jackson Mwalulu</p> <p>Director</p> <p>A communication expert with wide experience in governance issues</p>
4		<p>Hon. Grace Mwewa, OGW</p> <p>Director</p> <p>Career Educationalist with roles of Special envoy in Africa Institutions and Americas</p>

5		<p>Kitiabi Regina Kiti (PhD)</p> <p>Director</p> <p>As a scholar, she brings experience from Academia to the board</p>
6		<p>Mr. Lucas Obondo</p> <p>Director</p> <p>An accomplished Economist with a clean record from Public sector</p>
7		<p>Mr. Stephen Simiyu Mutoro</p> <p>Director</p> <p>A governance and rights crusader. Brings private sector experience to the Board</p>
8		<p>Mr. Peter M. Karing'u</p> <p>Director</p> <p>An advocate of the high court with experience in various Boards</p>
9		<p>Mr. Moses K. Kanagi P. S. Representative, The National Treasury</p> <p>An Economist with over 20years experience in Public Sector</p>

10		<p>Mr. Jeremiah Munai P.S. Representative, State Department of Environment and Natural Resources. Ministry of Environment, Water and Natural Resources</p> <p>An economist and Experienced Public Servant of many years</p>
11		<p>Mr. Chrispine Omondi Juma Director P.S. Representative State Department of Water, Ministry of Environment, Water and Natural Resources.</p> <p>A career researcher and experienced public servant in Water Sector</p>

III. TOP MANAGEMENT TEAM

	<p>Eng. Philip J. Olum, HSC</p> <p>CEO WRMA AND Secretary To The Board.</p> <p>A registered engineer holding undergraduate and postgraduate qualifications with over 30 years' experience in the Water Sector</p>
	<p>CPA/CS James Ambuso</p> <p>Finance and Administration Manager.</p> <p>He is a member of Institute of Certified Public Accountants of Kenya, Certified Public Secretaries of Kenya and full member of Kenya Institute of Management. Holds undergraduate and post graduate qualification with over 20 years' experience.</p>
	<p>Eng. Joseph M. Kinyua</p> <p>Technical Coordination Manager, WRMA.</p> <p>A registered engineer holding, Bsc Civil Engineering with over 30 years' experience in the water sector.</p>

IV. CHAIRMAN'S STATEMENT

Foreword

It is with great pleasure that I present Water Resources Management Authority's Annual Report and Financial Statement for the financial year ending 30 June 2014.

The Authority had a good performance despite the many challenges that came our way. We were able to declare surpluses in our results after many years of operating deficits. This was achieved despite massive budget cuts from the Government.

Corporate Performance

A financially and technically viable WRMA is critical for sustainable development of the economy, because the Authority is the Water Resources regulator of all development. I am pleased to report that we were able to increase our revenue collections in this financial year. We intend to sustain this in the coming financial years as we strive to achieve financial sustainability and independence.

We carry out our mandate as set out in the Water Act 2002. I am pleased to report that we achieved most of the targets we set for the financial year.

Appreciation

We would like to extend our appreciation to the Management, staff and various partners for their dedicated service, execution and support of our strategies towards achieving the Mandate, Vision and Mission.



15.4.2015

.....
Hon. Peter L.N. Kiilu, EBS
Chairman, Board of Directors

.....
Date
Nairobi

V. REPORT FROM THE CHIEF EXECUTIVE OFFICER

The Government has laid critical emphasis on the conservation and management of Water Resources. The Constitution of Kenya, in its Bill of Rights outlined the right of every Kenyan to a clean and healthy environment, with resultant expectations, increased consciousness of the population of these rights. There has never been a time when demand for the better management of the environment has been higher. The Authority, as the principal instrument of Government in the implementation of all policies relating to the environment, has faced increased demands to ensure proper Water Resources management in the country.

The Authority continued to undertake this mandate and achieved remarkable results despite myriad of challenges it faced. The Authority continued to propagate the mainstreaming of water resources issues in the country's development.

The Authority has put in place measures to ensure financial sustainability in its operations. The allocations received from the exchequer have continued to decline over the years. This has put pressure on the Authority to generate its own revenues so as to sustain its operations.

The development partners disbursed KES 343 million during the year under review. These development partners included the World Bank on the Natural Resource Management Programme and Western Kenya Community Driven Development Project. The Authority intends to deepen the partnerships and broaden the base of development partners it engages with.

Performance Contracting

The Authority participated in the 10th cycle of performance contracting. There was a marked improvement in its ranking compared to the previous period.

Innovation

The Authority believes in continuous innovation to help in improving service delivery to its stakeholders. The Authority has embraced the use of Information Communication Technology (ICT) in the provision of services. In the financial year under review, the Authority undertook automation of the billing process. It is intended that the remaining processes will be automated in the coming financial years.

Capacity Development and Assessment

One of the core functions of the Authority is to educate the population and create awareness in the country. This is done by engaging several stakeholders in diverse sectors of the economy, undertaking awareness activities, and meeting the general public

This was achieved through capacity building of Water Users Associations, stakeholders participation in ASK Shows throughout the country and various supplements.

Partnerships

During the year, the Authority had the following development partners who supported its mandate:

- United Nations Development Programme (UNDP)
- United Nations Environment Programme (UNEP)
- Gesellschaft Fur Internationalale Zusammenarbeit(GIZ)
- Natural Resource Management Projects under the World Bank.

We are striving to bring more development partners on board.

Employee Relations

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

The Authority has invested heavily in the human resource and especially Capacity Building/Development of Human Resource Capital. The Authority believes in the best skills for best performance. It has continuously improved staff development. During the year staff was trained in many areas like corporate governance for both Board of Management, and several courses for the management and members of staff. The Authority also organized many workshops for the staff especially for prevention of HIV/ Aids at work place, gender mainstreaming and alcohol and drug abuse prevention. Team work has always been embraced in the Authority. This was done through various welfare activities.

Commitment to Quality

During the financial year, the Authority retained its ISO 9001:2008 certification after a thorough surveillance audit. The Authority is committed to implementing a Quality Management System to ensure a clean, healthy, secure and sustainably managed environment for all by:

Complying with the requirements of ISO 9001: 2008 Quality Management Systems, customer requirements, statutory and regulatory requirements; Ensuring that quality objectives are established, implemented and monitored at all levels of the Authority; Ensuring that the quality policy is

communicated effectively and understood within the organization and periodically viewed for continued suitability.

Continually improving the quality management system processes for efficiency and effectiveness.

We are committed to the continual improvement of Quality Management System (QMS) processes and services and compliance with the requirements of ISO 9001:2008 international standards to achieve customer satisfaction. The management installed Q-Pulse software in its endeavour to efficiently and effectively manage the certification activities and sustenance of the ISO 9001:2008.

The Authority is committed to quality, timeliness, relevance to mandate, cost effectiveness and completion rate in the implementation of its projects.

Conclusion

We wish to take this opportunity to thank the Chairman, The Governing Board for their support throughout the year. We are grateful to our development partners and to all our stakeholders for their unwavering trust, support and partnership. To the staff and management, we appreciate their continued support and commitment; we shall deliver our services more efficiently and effectively impact more people with Water Resources Regulation and Management in the coming years. We believe that the future of water resources management is indeed bright in this country.



ENG. PHILIP J. OLUM HSC
Chief Executive Officer



Date
Nairobi

VI. CORPORATE GOVERNANCE STATEMENT

Establishment and composition of the board:

The Governing Board of the Water Resources Management Management Authority (WRMA) is established under the Water Act 2002. It is made up of eight independent non-executive directors appointed by Cabinet Secretary and consists of a Chairperson appointed by the President. The other members of the Board are the Principal Secretary, State Department of Environment and Natural Resources, Principal Secretary, State Department of Water and the Chief Executive Office.

In considering nominations for appointment to the Board, Professional qualification, gender and diversity of experience is taken into consideration. The Board exercises leadership, enterprise, integrity and judgement in managing the Authority.

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

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

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

Board Committees:

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

The Board has four standing committees which meet at least once per quarter and work under the terms of reference set by the Board. The membership of all the Committees is reviewed on a regular basis by the Board.

Finance and support Services Committee

The primary responsibility of Finance and Support Services is to provide advice to the Board on WRMA's financial and support services, performance and their financial implications.

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

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

Audit and Risk Committee

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

Resource Mobilisation Committee

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

Technical Committee

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

The Role of the Board

As guided by the State Corporations Act, Cap 446 and other relevant laws of Kenya, the Board's role is to provide effective leadership and control, in terms of approving the WRMA's strategy and ensuring best practice of corporate governance.

The Board retains full and effective control over the Authority by monitoring the implementation of Board plans and strategies, review of management accounts and major capital expenditure. It reviews processes for the identification and management of risks as well as those concerning compliance with key regulatory and legal areas.

The Board also reviews the WRMA's succession plans for the management team and endorses senior Executive appointments, Organisational changes and remuneration matters. It is concerned with key elements of the governance processes which sustain the operations of the Authority, performance reporting processes as well as other disclosure requirements.

On a quarterly basis, the Board considers reports from each Board Committee. The Board meets at least once a quarter. The calendar of meetings is prepared annually in advance and detailed papers to be discussed are made available to Directors in good time before the meeting.

Evaluation

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

Director's remuneration

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

Statement of Compliance

The Board of Directors confirms that Water Resources Management has throughout the 2013/2014 financial year complied with the entire Statutory and Regulatory requirement and that the Authority has been managed in accordance with the principles of Corporate Governance.

Internal Control

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

Standing Instructions

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

Organization Structure

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

Strategic Plan

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

Internal Control Framework

The Authority continues to review its internal control framework to ensure it maintains a strong and effective internal control environment. Business processes and controls are reviewed on an on-going basis. A risk-based audit plan, which provides assurance over key business processes and operational and financial risks facing the Authority, is approved by the Audit Committee.

The Audit Committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the Board. Where weaknesses are identified, the Audit Committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during 2013/14.

Risk Management

The Authority has a structure and process to help identify, assess and manage risks. The process was in place for the period up to the time this report was approved. This team reviews all the risks in the Authority and updates the risk register and ensures that all new and emerging risks are appropriately evaluated and any further actions identified. The identified risks are reported to the Audit Committee to assist the Board in the management of risk.

Management Team

The management team headed by the Chief Executive Officer implements the Board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the Board's objectives are achieved effectively and efficiently. Such policies developed include the Corruption Prevention policy, Disability, Gender and HIV mainstreaming, the ICT policy, among others.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

We have over the years strived to mainstream Water Resources Management and conservation in the development of the country so as to ensure the sustainable development of the country. In order to attain this, we have mainstreamed water Resource sustainability in our performance contracts. WRMA works with the communities in the area of catchment protection by undertaking community based Livelihoods projects through the WRUAs and also provision of support to alternative livelihood to communities inhabiting catchment areas.

Our staff participated in several CSR activities including clean ups in various river basins and counties. We intend to build on and enhance our CSR activities in the coming financial years.

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of WRMA.

Principal activities

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

Results

The results of the entity for the year ended June 30, 2013 are set out on page 2 and the authority's net surplus.

Directors

The members of the Board of Directors who served during the year and to the date of this report are set out on in earlier sections of the report.

Auditors

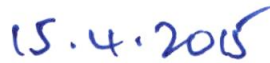
The Auditor-General is responsible for the statutory audit of the Authority's books of account in accordance with Section 14 of the Public Audit Act, 2003. The Auditor General continues in office in accordance with the Public Audit Act, 2003.

For and On behalf of Board of Directors



HON. PETER L. N. KIHILU, EBS

Chairman, Board of Directors



Date

Nairobi

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2014, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were reviewed by the Chief executive and chairman of board of management and signed.



**HON. PETER L. N. KIILU, EBS
CHAIRMAN**

DATE:.....15.4.2015.....



**ENG. PHILIP J. OLUM, HSC
CHIEF EXECUTIVE OFFICER**

DATE:.....15-4-2015.....



REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON WATER RESOURCES MANAGEMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Water Resources Management Authority set out on pages 2 to 19, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

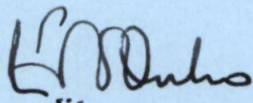
Basis for Qualified Opinion

Property, Plant and Equipment

The property, plant and equipment balance of Kshs.575,806,570 as at 30 June 2014 excludes value of twelve (12) parcels of land across the country on which the Authority has put up various developments including buildings but for which the Authority does not possess legal ownership documents such as title deeds. Consequently it was therefore not possible to verify the ownership of these properties as reflected in the financial statements.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2014, 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 Water Act, 2002 and Water Resources Management Rules, 2007.



Edward R. O. Ouko, CBS
AUDITOR- GENERAL

Nairobi

5 May 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

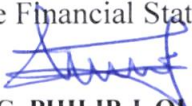
	Note	2013-2014 KShs	2012-2013 KShs
Revenue from non-exchange transactions			
Public Contributions and Donations	3	615,798,771	645,063,638
Licenses and Permits	4	41,271,283	32,881,292
Transfer from other Governments	5	343,472,977	530,388,366
Revenue from exchange transactions			
Sale of water and Electricity	6	929,378,351	1,263,780,840
Other Income	7	11,940,318	5,318,730
Total income		1,941,861,700	2,477,432,865
COSTS AND EXPENSES:			
Employee Costs	8	756,274,088	603,418,010
General Expenses	9	564,142,653	636,093,983
Water Resources Management Expenses	10	407,323,410	642,245,915
Board Expenses	11	22,847,772	26,057,249
Depreciation and Amortization expense	12	101,341,229	73,994,175
Total recurrent costs and expenses		1,851,929,153	1,981,809,332
OPERATING SURPLUS/(DEFICIT)		89,932,548	495,623,534


The notes set out on pages 1to 19 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2013-2014 KShs	2012-2013 KShs
ASSETS:			
Current Assets			
Cash and Cash Equivalents	13	57,129,371	115,464,530
Receivables from Exchange transactions	14	1,652,023,536	1,514,716,199
Receivables From Non Exchange Transactions	15	40,753,956	754,510
Total Current Assets		1,749,906,863	1,630,935,239
Non-Current Assets			
Property, Plant & Equipment	12	575,806,570	497,084,270
Total Non-Current Assets		575,806,570	497,084,269
Total Assets		2,325,713,434	2,128,019,509
LIABILITIES:			
Current Liabilities			
Customer deposits- Unreceived	16	38,300,975	9,564,462
Trade and other Payables from exchange transactions	17	465,681,784	386,656,919
Total Current Liabilities		503,982,760	396,221,381
Non-Current Liabilities			
Long Term Loan	18	362,612,300	362,612,301
Total Liabilities		861,619,031	758,833,682
General Fund			
Capital Funds	19	98,608,067	98,608,067
Revenue Reserves	20	1,360,510,308	1,270,577,760
Total General Funds		1,459,118,374	1,369,185,827
Total Liabilities and General Funds		2,325,713,434	2,128,019,509

The Financial Statements set out on pages 1 to 19 were signed on behalf of the Board of Directors by:


ENG. PHILIP J. OLUM HSC
 Chief Executive Office


HON. PETER L.N. KIHLU EBS
 Chairman of the Board

Date: 15-4-2015

Date: 15.4.2015

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Capital Funds	Revenue Reserves	TOTAL
	KShs.	KShs.	KShs.
Balance 01.07.2012	98,608,067	774,954,227	873,562,294
Adjustments in reserves		0.0	-
Surplus for the Year	-	495,623,534	495,623,534
Balance 30.06.13	98,608,067	1,270,577,760	1,369,185,827
Balance 01.07.2013	98,608,067	1,270,577,760	1,369,185,827
Additions for the year	-		-
Surplus for the Year		89,932,548	89,932,548
Balance 30.06.14	98,608,067	1,360,510,308	1,459,118,375

XIV. STATEMENT OF CASH FLOWS

	Note	2013-2014 KShs	2012-2013 KShs
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Public Contributions and Donations	3	615,798,771	645,063,638
Licenses and Permits	4	41,271,283	32,881,292
Transfer from other Governments	5	343,472,977	530,388,366
Sale of water and Electricity	6	929,378,351	1,263,780,840
Other Income	7	11,940,318	5,318,730
		1,941,861,700	2,477,432,865
Payments			
Employee Costs	8	756,274,088	603,418,010
General Expenses	9	564,142,653	636,093,983
Water Resources Management Expenses	10	407,323,410	642,245,915
Board Expenses	11	22,847,772	26,057,249
		1,750,587,923	1,907,815,157
		191,273,777	569,617,708
NET CASH FLOW OPERATING ACTIVITIES			
Net cash generated from/(used in) Operating Activities		191,273,777	569,617,708
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/Decrease in Debtors	14	(161,165,617)	(635,735,453)
Increase in deposits and prepayments	15	(35,023,418)	15,102,557
(Increase)/Decrease in Provisions			
Increase/Decrease in payables	17	79,024,865	158,326,582
Purchase of PPE and intangible assets	12	(180,063,529)	(294,632,062)
Increase in Accounts Payables	15	28,736,514	40,678,801
Net cash generated from/(used in) Investing Activities		(249,608,934)	(548,817,963)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Long Term Borrowing			
Adjustment In reserves			
Proceeds from Long Term Borrowing			(54,007,594)
decrease in Provision for debts bad			
Other Proceeds – M tap funds and AWF funds			
Net cash generated from/(used in) Financing Activities		-	(54,007,594)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(58,335,157)	(33,207,851)
CASH AND CASH EQUIVALENTS AT 1st JULY 2013			
		115,464,528	148,775,658
CASH AND CASH EQUIVALENTS AT 30th JUNE 2014			
		57,129,371	115,464,528

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final budget	Actual on Comparable basis	Performance Difference
	2013/2014 KShs.	2013/2014 KShs.	2013/2014 KShs.	2013/2014 KShs.	2013/2014 KShs.
Revenue from non-exchange transactions					
Public Contributions and Donations	1,406,315,329	(1,186,095,108)	220,220,221	615,798,771	(395,578,550)
Licenses and Permits	78,000,000	(9,000,000)	69,000,000	41,271,283	27,728,717
Transfer from other Governments	780,000,000	470,000,000	1,250,000,000	343,472,977	906,527,023
Revenue from exchange transactions					
Sale of water and Electricity	451,936,785	89,635,500	541,572,285	929,378,351	(387,806,066)
Other Income	6,200,000	200,000	6,400,000	11,940,318	(5,540,318)
Total income	2,722,452,114	(635,259,608)	2,087,192,506	1,941,861,700	540,909,355
COSTS AND EXPENSES:					
Employee Costs	726,426,785		726,426,785	756,274,088	(29,847,303)
General Expenses	570,866,172		570,866,172	564,142,653	6,723,519
Water Resources Management Expenses	539,164,189		539,164,189	407,323,410	131,840,779
Board Expenses	35,860,000		35,860,000	22,847,772	13,012,228
Depreciation and Amortisation expense				101,341,229	(101,341,229)
Total recurrent costs and expenses	1,872,317,146	-	1,872,317,146	1,851,929,153	20,387,993
OPERATING SURPLUS/(DEFICIT)	850,134,968	(635,259,608)	214,875,360	89,932,548	520,521,362

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees (Permits and Licences)

Water Permits

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

Transfers from other government entities

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

ii) Revenue from exchange transactions – IPSAS 9

Revenues from exchange transactions are recognised at the fair value of the consideration received of receivable.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation

between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

d) Property, plant and equipment – IPSAS 17

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

e) Intangible assets – IPSAS 31

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

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

g) Provisions – IPSAS 19

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

Debtors and other receivables are stated at nominal value, less provision for amounts considered to be irrecoverable.

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

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

Contingent liabilities

The Authority recognizes a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Sources of contingent liabilities are mainly legal litigations.

h) Changes in accounting policies and estimates – IPSAS 3

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

i) Employee benefits – IPSAS 25

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. The Authority contributes to a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The assets of this scheme are held in a separate trustee administered fund. The company's contributions to the defined contribution retirement benefit scheme are charged to the income statement in the year to which they relate. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held on call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included within borrowings in current liabilities.

k) Comparative figures

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

Useful lives and residual values

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

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

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

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

Gain/ (Loss) on disposal is recognized in the statement of comprehensive income.

l) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

m) Significant judgments and estimates

In the process of applying the Authority's accounting policies, management has made estimates and assumptions that affect the Authority. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future revenue flows that are believed to be reasonable under the circumstances. The key areas of judgment in applying the Authority's accounting policies are dealt with below:

Critical judgments in applying the Authority's accounting policies

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that

have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair values of financial instruments

The Authority uses judgment to select a variety of methods and make assumptions that are mainly based on both historical costs and market conditions existing at each balance sheet date.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Property and equipment

Critical estimates are made by the Authority in determining depreciation rates of property and equipment.

Intangible assets

Critical estimates are made by the Authority in determining amortization rates of intangible assets.

3. Public Contributions and Donations

	2013/2014	2012/2013
Development Grants	513,218,618	457,280,942
Recurrent Grants	102,580,153	187,782,696
	615,798,771	645,063,638

4 Licenses and Permits

	2013/2014 KShs.	2012/2013 KShs.
Application & Authorization fee	16,458,659	11,474,380
G/ Water Permit Fee	18,260,359	13,531,088
S/ Water Permit Fee	6,552,266	7,875,824
	41,271,283	32,881,292

5 Transfers from other Governments

These are funds received from development partners for financing development programmers. The funds received from the Development Partners (Donors) during the period were as indicated below:

	2013/2014	2012/2013
	KShs.	KShs.
GTZ grants	458,005	2,188,018
NRM Funds	244,513,733	424,516,466
WKCDD&FM Funds	62,980,000	29,000,000
AWF Funds	5,252,000	4,400,000
Other Donors Funds	14,508,440	12,240,282
MTAP		48,000,000
WSTF	4,816,382	
IWRAP	10,944,418	10,043,600
	343,472,977	530,388,366

6 Sale of water and Electricity	2013/2014	2012/2013
	KShs.	KShs.
S/Water use Charges	609,297,949	1,170,259,002
G/water use charges	303,870,876	61,088,731
Laboratory Service charges	14,687,942	12,064,629
Waste Disposal Charges	1,521,584	151,636
	929,378,351	1,243,563,998

7 Other Income	2013/2014	2012/2013
	KShs.	KShs.
Interest income	1,717	67,500
Penalties	3,802,357	110,581
Tender fees	38,000	1,584,575
Data Sales	2,543,263	742,035
Other Income, WDC doc sales	5,554,981	2,814,039
Other Income	11,940,318	5,318,730

8 Employee Costs	2013/2014	2012/2013
	KShs.	KShs.
Basic Salaries	487,968,501	421,295,356
Leave and Other Allowances		
House allowance	82,349,500	75,325,900

2012/2013	2013/2014	General Expenses
43,111,548	27,130,848	Staff Training Expenses
18,546,654	2,286,016	Medical Expenses
38,513,475	26,396,704	Motor Vehicle Expenses
159,517,099	98,251,095	Travelling and Accommodation
562,340	1,162,790	Conferences and Meetings
20,300,177	26,399,873	Telephone & Internet Costs
3,031,054	3,071,315	Postal & Courier Services
1,918,338	1,317,833	Official Entertainment
1,396,643	3,286,911	Staff Welfare Expenses
820,000	1,278,305	Hospitality Costs -Purch. Coffin
5,852,477	5,923,774	Catering Expenses
12,357,999	21,023,383	Advertising Expenses
6,591,267	10,260,462	Uniform & Clothing
33,549,386	30,950,791	Insurance Costs
16,037	6,380,479	Membership Fees and Subs
21,781,937	41,891,450	Legal Dues & Professional Serv
2,922,667	1,989,982	Show Expenses
14,600,260	19,186,763	Office Rent and Rates
1,422,823	2,006,875	Electricity Expenses
474,590	474,287	Water and Conservancy Expenses
23,397,380	23,769,840	General Office Expenses
7,912,834	16,811,977	Computer Stationery
10,513,335	43,348,369	Office General Stationery
7,216,529	56,059,077	Publishing and Printing
1,312,857	6,604,953	Library Expenses
1,533,966	2,288,939	Maint of Furniture
5,996,170	20,342,078	Maint. Comp, Plant & Machinery
3,466,159	3,773,583	Maintenance of Buildings
676,170	3,477,527	Minor Alterations & Maint Works
1,945,216	2,113,823	Bank Charges & Commissions
15,715,965	37,200,959	Laboratory & Reagents Supplies
179,023	10,400	First Aid Kit Supplies
1,500,000	1,554,632	Audit Fees
167,441,609	16,116,562	Provision for bad debts

KShs.
2012/2013

KShs.
2013/2014

9 General Expenses

In the financial year 2013/14 WRMA'S Establishment had 753 staff members

45,427,392	49,283,358	Other Allowances
4,348,598	67,284,067	Gratuity & Pension Contribution
11,030,451	12,484,734	Leave Allowance
36,714,354	47,280,985	Commuter Allowance
1,160,164	1,379,200	Honoraria
8,115,795	8,243,743	Transfer Allowance
182,122,654	268,305,587	
603,418,010	756,274,088	



564,142,653

636,093,983

10 Water Resources Management expenses

	2013/2014	2012/2013
	KShs.	KShs.
Gender Sensitive and HR Dev	1,682,000	0
Workshop and Seminars	64,837,550	34,443,242
Publicity & Information dissemination	10,006,423	11,064,831
Regulatory functions	18,406,934	15,744,882
Water abstraction system expenses	5,003,002	3,111,888
CAACs Expenses	6,054,570	4,430,720
WRUAs Establishment and Support	29,903,393	59,100,812
Catchment Management Strategy	7,591,477	18,231,494
Catchment monitoring plan - tech		2,799,960
Catchment Monitoring Plan	7,751,408	12,429,052
Catchment Monitoring, Protection	39,068,443	21,901,460
Feasibility study and project des	66,877,775	33,600,105
Preventive Water R Mgt. Measures	912,050	18,490
Water Quality Lab capacity	862,098	1,209,620
Roof Catchment Structures	2,593,035	632,455
Project Planning and Supervision	3,216,375	666,750
Rehabilitation of Water Monitoring	6,075,447	320,510
Livelihood Based Investments	136,481,430	422,539,644

407,323,410

642,245,915

11 Board Expenses

	2013/2014	2012/2013
	KShs.	KShs.
Chairman's Honoraria	608,000	498,360
Board Workshops and Seminars	1,236,637	1,903,823
Board Travel and Accommodation	9,620,421	19,617,554
Board Sitting Allowances	11,382,714	4,037,512

22,847,772

26,057,249

Property Plant and Equipment		Buildings	Furniture & Fittings and Office Equipment	Motor vehicles	Computers, Printers & IT Equipment	Intangible Asset - Software	Water Supply Infrastructure	Capital Work In Progress	Total
	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.	KShs.
	10%	12.5%	25%	33%	33%	33%	2.5%	0%	
As at 1st July	82,162,759.6	236,502,927	173,782,971	82,424,042.5	41,201,829.05	11,705,894.3	220,214,337.7	847,994,761.	
Investments	220,214,337.7	0	0	0.0			-220,214,337.7		
Disposals	91,328,982.7	35,823,309	33,220,348	4,586,000.0	15,104,889.80	0.0	0.0	180,063,529.	
As at 30 June 2013	0.0	0	0	0.0	0.0	0.0	0.0	0.0	
As at 30 June 2013	393,706,080.0	272,326,236	207,003,319	87,010,042.5	56,306,718.9	11,705,894.3	0.0	1,028,058,290.	
As at 1st July 2013	9,931,524.6	113,254,918	131,357,362	60,575,832.4	35,206,062.78	584,791.8	0.0	350,910,491.5	
Disposals	24,700,231.2	29,276,313	35,452,197	6,712,550.1	4,984,399.39	215,538.5	0.0	101,341,229.4	
As at 30 June 2014	0.0	0	0	0.0	0.0	0.0	0.0	0.0	
As at 30 June 2014	34,631,755.8	142,531,231	166,809,559	67,288,382.5	40,190,462.2	800,330.3	0.0	452,251,720.9	
Book Value at 30 2014	359,074,324.2	129,795,005	40,193,760	19,721,660.0	16,116,256.7	10,905,564.0	0.0	575,806,570.0	
Book Value at 30 2013	72,231,235.0	123,248,009	42,425,609	21,848,211.2	5,995,765.3	11,121,102.5	0.0	497,084,269.8	



13. Cash and cash equivalents

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

A Bank balance	2013/2014	2012/2013
	KShs.	KShs.
KCB -Athi CA - Mombasa SRO	6,153	1,807
KCB - SIDA Bank A/C - HQ Nairobi	1,909,157	31,630,890
Equity – MTAP		39,855,758
KCB -Athi CA - Machos-General	116,133	163,953
KCB -Athi CA - Machakos- KWSP		10,663
KCB -Athi CA - Nairobi SRO	34,122	2,197,356
KCB -Athi CA - Kibwezi SRO		657
KCB -Athi CA - Kiambu	202,914	750,451
KCB -Athi CA - Loitoktok	112,650	
KCB-Athi CA - Machakos Rev	8,696,806	
KCB -Tana CA - Embu- Gen	4,304,260	237,265
KCB- Tana River CA - Embu	264	
KCB-Tana CA - Meru SRO	206	8,444
KCB-Tana CA - Kerugoya SRO	60,345	130,133
KCB-Tana CA - Kitui SRO	7,901	3,884
KCB-Tana CA - Murang'a SRO	3,021	
KCB-Tana CA - Garissa SRO	24,816	812
COOP-Tana CA - Embu Region- NRM	5,968	1,415,744
KCB -Ewaso Nyiro CA- Nanyuki-Gen	522,397	484,199
KCB - Ewaso Nyiro CA- Nanyuki-	16,665	19,600
Equity - MTAP Regional	3,444	1,978,195
KCB - Ewaso Nyiro CA- Nanyuki	22,424	53,385
KCB - Ewaso Nyiro CA- Mandera	539,702	1,902
KCB - Ewaso Nyiro CA- Marsabit	4,618	6,089
KCB - Ewaso Nyiro CA- Nyahururu	6,965	1,057
Equity - MTAP isiolo	4,073	6,085
NBK - Rift valley CA- Nakuru - Gen	449,645	1,640,953
KCB - Rift Valley CA - Nakuru		13,295
KCB - Rift Valley CA - Kabarnet		1,640,781
KCB - Rift Valley CA - Kapenguria	281,795	689,534
KCB - Rift Valley CA - Narok	4,958	9,010
KCB - Rift Valley CA - Lodwar	82,825	1,203,439
KCB - Rift Valley CA - Naivasha	663,108	56,682
KCB - LVN CA- Kakamega		25,305
KCB - LVN CA - Kakamega - KWSP	41,836	20,531
KCB - LVN CA - Siaya	308,835	20,192
KCB - LVN CA - Eldoret	118,807	35,162
KCB - LVN CA - Kitale	630,753	344,277
KCB - LVN CA - Kakamega - WKCDD/FM		16,773,846
KCB - LVS CA - Kisumu	26,685	35,105
KCB - LVS CA - Kisumu - AWF	3,827,081	3,224,801
KCB - LVS CA - Kisii Sub Region	83,876	14,176
KCB - LVS CA - Kisumu Sub Region	530,803	3,503
KCB - LVS CA - Kericho	1,428	6,314
KCB - Ewaso Nyiro CA- Isiolo	711,342	100,325

KCB - Revenue A/C -HQ Nairobi	27,938,888	1,353,121
KCB-Tana CA - Embu- KWSP		34,649
NBK - LVS CA - Kisumu - General	383,932	212,907
KCB - Rift Valley CA - Nakuru - Rev		1,446,400
KCB - RVCA - Naivasha - IWRAP	4,391,124	7,243,640
	57,082,724	115,106,275

B Cash balance

Cash in hand - HQ (petty cash)	16,445	85,281
Cash in hand - Athi River CA	315	283
Cash in hand - Tana CA		130,000
Cash in hand - Rift valley CA	3,735	
Cash in hand - LVN CA	24,599	125,000
Cash in hand - LVS CA	1,553	17,692
	46,647	358,256
Total	57,129,371	115,464,530

14 Receivables from Exchange transactions

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

	2013/2014	2012/2013
	KShs.	KShs.
General Debtors	1,835,581,707	1,674,416,090
Less Provision for Bad Debtors	183,558,171	167,441,609
	1,652,023,536	1,506,974,481

15 Receivables From Non Exchange Transactions

	2013/2014	2012/2013
	KShs.	KShs.
Temporary Imprests	19,567,193	7,741,719
Deposits	744,821	754,510
Prepayments	20,441,942	0
	40,753,956	8,496,228

16 Customer deposits- Unreceipted

	2013/2014	2012/2013
	KShs.	KShs.
KCB - LVS CA - Kisumu - Revenue	644,087	436,218
KCB-Athi CA - Machakos-Revenue		4,694,268
KCB - Ewaso Nyiro CA- Nanyuki- Revenue		810,520
KCB - Rift Valley CA - Nakuru - Revenue	10,926,951	0
KCB - LVN CA - Kakamega - Revenue	18,663,453	527,776
KCB- Tana River CA - Embu- Revenue	7,255,964	2,211,291
	38,300,975	9,564,462

NB: This constitutes the amounts deposited to our various revenue collection accounts and the customers have not submitted the deposits slips for receipting.

17 Trade and other Payables from exchange transactions	2013/2014	2012/2013
	KShs.	KShs.
Trade creditors	422,545,646	346,399,345
Other creditors	43,136,138	40,083,575
Accrued expenses	0	174,000
	465,681,784	386,656,919

18 Long Term Loan

This represents the amount of loan due to the Government arising from a Credit granted by the World Bank (IDA) for the Natural Resources Management Project. The Loan shall be due for repayment on 30th March 2017 as per loan agreement (Article III Clause 3.01)

	2013/2014	2012/2013
	KShs.	KShs.
IDA/World Bank	362,612,300	362,612,300
	362,612,300	362,612,301

19 Capital Funds

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

	2013/2014	2012/2013
	KShs.	KShs.
a) Capital Assets Transfer -GOK	8,435,163	8,435,163
b) GTZ	4,053,315	4,053,315
c) Kenya Water and Sanitation Prog (KWSP)	35,349,589	35,349,589
b) AWF	770,000	770,000
b) MTAP Fund	50,000,000	50,000,000
	98,608,067	98,608,067

20 Revenue Reserves	2013/2014	2012/2013
	KShs.	KShs.
Retained earnings at 1st July	1,270,577,760	774,954,227
Adjustment in Reserves		
Surplus/(Deficit) Income for Year	89,932,548	495,623,534
	1,360,510,308	1,270,577,760

The total accumulated surplus income stated above is for the Authority's expansion programmes and is therefore not available for distribution.

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>The property, plant and equipment balance of Kshs.497,084,270 as at 30 June 2013 excludes value of twelve (12) parcels of land across the country on which the Authority has put up various developments including buildings but for which the Authority does not possess legal ownership documents such as title deeds. Consequently, it was therefore not possible to verify the ownerships of these properties as reflected in the financial statements.</p>	<p>WRMA cannot claim value of Land where its offices have been built since it is a shared resource under the ministry of Water, Environment and Natural Resources. Land is owned by the Government of Kenya and being part of the Government, WRMA uses it to discharge its constitutional mandate. The process of asset transfer has been slow due to an embargo by Transition Authority on all public assets transfer.</p>			



**HON. PETER L. N. KIILU, EBS
CHAIRMAN**

DATE:.....15.4.2015.....



**ENG. PHILIP J. OLUM, HSC
CHIEF EXECUTIVE OFFICER**

DATE:.....15-4-2015.....