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REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA WATER INSTITUTE

**FOR THE YEAR ENDED
30 JUNE, 2019**



KENYA WATER INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

**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

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 and Sanitation. 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 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

II. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Director	Dr. Leunita A. Sumba
2.	Deputy Director Academic Affairs	Mr. David K. Ngetich
3.	Deputy Director Management Services/Head of Finance	Mr. Kennedy O. Riaga
4.	Deputy Director Research	Mr. Paul N. Muthama
5.	Senior Supply Chain Management Officer	Ms. Josephine Musya
6.	Audit and Risk Manager	Mr. James Kande

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 5 members
- 3) Finance and Resource mobilization Committee which had 4 members
- 4) Audit and Risk Committee which had 4 members
- 5) Human resource Committee which had 4 members
- 6) Independent internal audit function

Execution of the mandate during 2018/2019FY, inter alia

As the board was constituted at the tail end of the financial year only induction meetings were held alongside formation of the committees

Meetings

There were no meetings that 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

III. KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

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

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

i) Independent Auditors

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

j) Principal Legal Adviser

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

IV. THE GOVERNING COUNCIL

GOVERNING COUNCIL MEMBER	PROFILE
 <p data-bbox="178 965 564 1070">Hon. Wavinya Ndeti Oduwole Chairperson KEWI Governing Council</p>	<p data-bbox="592 421 1439 658">Hon. Wavinya Ndeti was born in 1967 and holds a MSc in Business Systems Analysis and Design from City University-London, MBA in Marketing from Heriot-Watt University, BSc in Computer Studies and Computer Science Graduate Diploma from South Bank University and Advanced Diploma in Computer Studies from West London College.</p> <p data-bbox="592 667 1439 1149">Hon. Wavinya Ndeti has over 25 years experience in Management in the corporate and political field. She has been the Chairperson Political Parties Liaison Committee, Vice Chairperson for the Center for Multi-Party Democracy and Party Leader Chama Cha Uzalendo. She was a Member of Parliament and an assistant Minister for Youth Affairs & Sports between 2008 to 2013. To date, she is a Managing Trustee of Nzuki Ndeti Trust. She has served in many organizations in different capacities such as: Managing Director of Onix Computers Ltd, worked at National Physical Laboratory (UK) as an IT Manager, System Support Analyst for NHS Enfield (UK) and worked as an IT Systems Integrator Developer at University of North London (UK).</p> <p data-bbox="592 1158 1439 1229">Hon. Wavinya Ndeti is the Chairperson of the KEWI Governing Council.</p>
 <p data-bbox="209 1592 539 1697">CPA Isabella Kogei Rep. Principal Secretary The National Treasury</p>	<p data-bbox="592 1238 1439 1451">CPA. Isabella Kogei was born in 1983 and is a Principal Finance Officer in charge of Parliamentary business at The National Treasury. She is also a member of the Institute of Certified Public Accounts of Kenya (ICPAK). She holds a Master of Science (Finance) and Bachelor of Commerce (Accounting) Degrees of Kenyatta University.</p> <p data-bbox="592 1460 1439 1630">CPA Isabella Kogei has a vast experience in Finance and Accounting both in the Public and Private Sectors. She has worked in Senior roles in finance and administration and contributed a lot towards Resource Planning, Financial Report and Management at Strategic level.</p> <p data-bbox="592 1639 1439 1765">CPA Isabella Kogei is the Alternate of the Principal Secretary, The National Treasury and exercises fiduciary oversight role in the Governing Council. She is a member of the Audit and Risk and Finance and Resource Mobilization Committees.</p>

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	<p>Ms. Caroline Mugwe holds a Masters Degree in Business Administration - Human Resource Management option (Kenyatta University) and a first degree in Bachelors of Commerce - Business Administration option, (University of Nairobi). Has also completed CPS (K), among other local and international experiences.</p> <p>Ms Mugwe is a Certified Public Secretaries and also member, institute of Human Resource Management and member, mediators association. She is highly experienced in Administration, Human Resource Management, Business Development, and Institutional Capacity Building, as well as short term Private Consultancy Services for a wide range of clients in Kenya and beyond. Currently she is the Director - Human Resource Management and Development (HRM & D) in the Ministry of Water, Sanitation and Irrigation, heading the HR Division.</p> <p>She is the Alternate of the Principal Secretary, Ministry of Water & Sanitation and Irrigation. She is a member of Human Resource and Finance and Resource Mobilization Committees.</p>
	<p>Ms. Lesley Khayadi was born on 10th October 1972. Is a holder of 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 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 Audit and Risk and the Academic, Research and Development Committees.</p>
	<p>Nancy Mugure was born in 1988. She holds a MSc. degree in Environmental Engineering from SUST, China, and BSc Civil Engineering from UoN. 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. 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>

Ms. Caroline Mugwe
**Rep. Principal Secretary
 Ministry of Water &
 Sanitation and Irrigation**



Ms. Lesley Khayadi
**Rep. Principal Secretary,
 Ministry of Devolution and
 Planning**

Ms. Nancy Mugure Waweru
**Representative of public
 Universities**



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	<p>Ms. Nancy Mugure Waweru is the Chairperson of the Academic, Research and Development Committee and a member of the Audit and Risk Committee.</p>
 <p>Mr. Peter Kahara Representative of private of community based water and sanitation programmes</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 an independent member of KEWI Governing Council and is the Chairman of the Finance and Resource Mobilization Committee</p>
 <p>Mr. Wilson Kipkazi Representative of local Non Governmental organization involved in activities related to the water sector</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>Mr. Wilson Kipkazi is an independent member of KEWI Governing Council. He is the Chairman of the Audit and Risk Committee.</p>
 <p>Eng. Peter Odhiambo Wanday Representative of Professional Bodies</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 Professional (Engineer), Corporate Member (Institution of Engineers of Kenya) and is the Chairman, Association of Consulting 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 Human Resource Committee and a member of the Finance and Resource Mobilization Committee and Academic, Research and</p>


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	Development Committee
 <p>Mr. Eric Cherop Koima Representative of registered water users associations</p>	<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 and is an independent member of KEWI Governing Council was born.</p> <p>Mr. Koima is a member of the Human Resource and Finance and Resource Mobilization Committees</p>
Corporate Secretary	KEWI is in the process of hiring the corporate secretary. Mean while the Director is the one discharging the duties of that office.
 <p>Dr. Leunita A. Sumba Director/CEO Kenya Water Institute</p>	<p>Dr. Sumba holds a PhD in Biology and a postgraduate Diploma in Integrated Water Resources Management. She has published in a number of refereed journals. Dr. Sumba is currently working on Ceramic filters as household water treatment solutions.</p> <p>Dr. Leunita Asande Sumba is the Director of the Kenya Water Institute. She has served in Kenya Water Institute for 20 years in various capacities. Previously she was a Lecturer, Principal Water Research Officer and the Head of the Water Resources Management Department.</p> <p>Her academic and research interests include: Drinking Water Quality; Environmental Water Quality, Integrated Water Resources Management; Gender and Water governance; Rainwater harvesting; interactions between Water, Environment, Health, and Sanitation including the epidemiology of waterborne and water-related diseases.</p>

V. MANAGEMENT TEAM

	DESIGNATION
 <p>Dr. Leunita A. Sumba <i>(Ph.D–Biology; Pg.Dip. Integrated Water Resources Management)</i></p>	<p>Director, Kenya Water Institute</p>
 <p>David K. Ngetich <i>(MPhil. in Geography)</i></p>	<p>Deputy Director Academic Affairs</p>
 <p>Paul N. Muthama <i>(MSc. Statistics)</i></p>	<p>Deputy Director Research</p>

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	Deputy Director Management Services
Kennedy O. Riaga (<i>BA. Economics, CPA(K), CISA</i>)	
	Corporate Affairs Manager
Isaac Agevi (<i>BA. Economics, MBA</i>)	
	Audit and Risk Manager
James Kande (<i>B.Com. Accounting, CPA(K)</i>)	

VI. CHAIRPERSON'S STATEMENT

It gives me great pleasure to present to you the Kenya Water Institute annual Report and Financial Statements for the Financial Year 2018/2019. 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 year, the Institute received Ksh. 215,753,560 for recurrent budget and Ksh. 60,000,000 for development budget.

The Institute generated Ksh. 170,352,062 in Appropriation in Aid (AiA) compared to the previous year where Ksh. 152,600,349 was generated. This translates into 12% increase in AiA generation compared to last year's collections.

Future Outlook:

The challenges being experienced in the Water and Sanitation 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 develop a School for irrigation in Chiakariga. It is envisaged that the school will enhance training for irrigation practitioners for the country and the region. It is 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 late constitution of the board. These lead to the institute operating for the entire year without a board. I am glad to now report that the Board has since been constituted and working.

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, it is my sincere appeal to the Government of Kenya to continue supporting the Council to make KEWI the fountain of water Knowledge.



Peter Kahara

For: Chairperson, KEWI Governing Council

Date: 30th September, 2019

VII. REPORT OF THE DIRECTOR

I present the Kenya Water Institute Report and Financial Statements for the FY 2018/2019. During this period, the Institute fared reasonably well as disbursements from the Government was received although sometimes, late. The biggest challenge that was faced by the institute was raising the targeted internally generated funds, which was below the expected by 17%. The shortfall was caused by low uptake of short causes and breakdown of the drilling rig which took more than three month to get the broken parts. 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 GoK 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. 215,753,560 for recurrent budget and Ksh. 60,000,000 for development budget.

The Institute also generated Ksh. 170,352,062 in Appropriation in Aid (AiA) compared to the previous year where Ksh. 152,600,349 was generated. This translates into 12% increase in AiA generation compared to last year's collections. The AiA collections of Ksh. 170,352,062 was below the targeted amount of Ksh. 205M. The shortfall was 17%. The shortfall was necessitated by breakdown of the Rig, the non completion of the WRC on time thus denying the institute revenue.

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 were 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 2nd quarter 2016/2017 KEWI would have completed the construction of the Water Resource Centre (WRC) however, this did not happen due to financial challenges, this in turn affected the capacity of the Institute to generate more AiA to support operation and maintenance. However am glad to report that with the allocation provided this financial year, the work is continuing well and it is anticipated that the structure will be completed by end of October 2019.

Other programmes aimed at enhancing service delivery include the establishment of 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 2016-2020.

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

Acknowledgement:

I would like to thank the Government through the Ministry of Water and Sanitation for the continued financial and technical support to KEWI. My heartfelt gratitude goes to the Cabinet Secretary, Ministry of Water and Sanitation 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 service in the water sector.



Kennedy R. O. Riaga.

Ag. Director, Kenya Water Institute

30th September, 2019

VIII. 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 and Sanitation 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 and Sanitation 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.

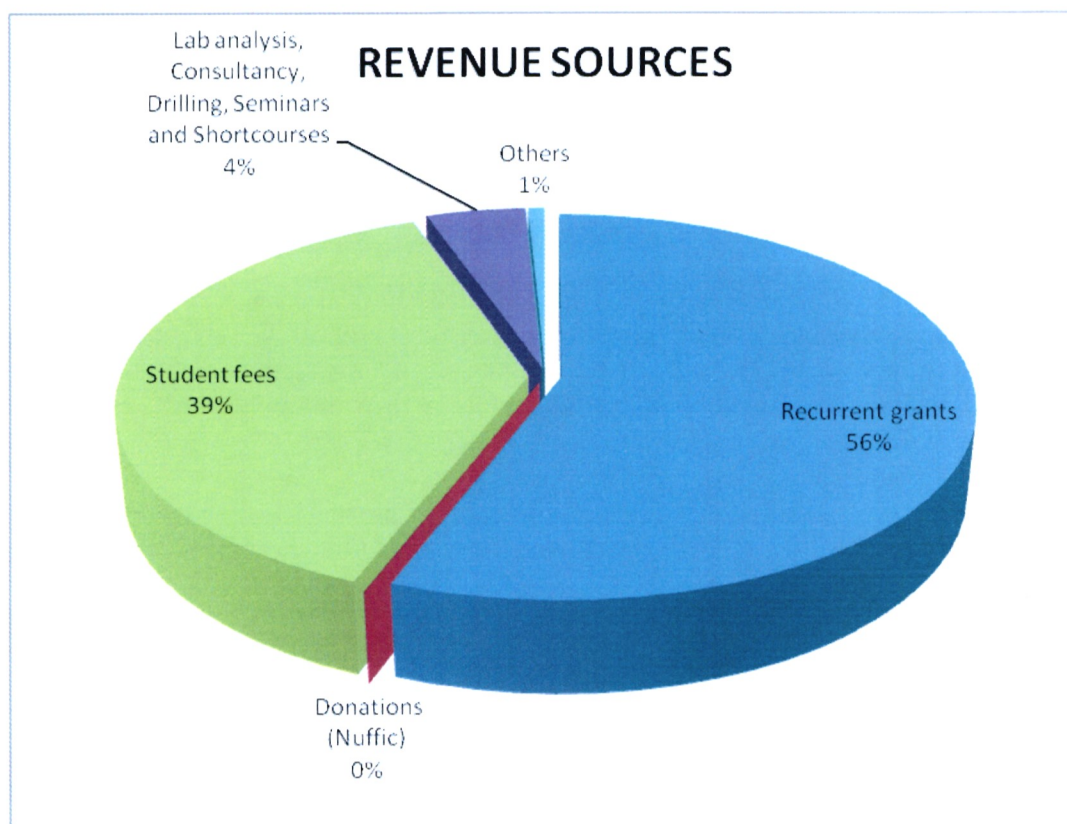
The Chairperson, Governing Council served for close to five Months during the reporting year while the rest of the board members were appointed on 22nd June 2019. The Governing Council ensured that corporate governance and good business ethics were practised at all times during the reporting period. 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. 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 who was appointment in February 2019 has already been inducted by State Corporation Advisory Committee and internally by Management. For the rest of the board members who were appointed on 22nd June 2019, plans have been made for them to be inducted by SCAC and by Management.

IX. MANAGEMENT DISCUSSION AND ANALYSIS

Traditionally, the Institute has relied on grants from the Government to support its activities. Student fees contributed 39% of the total revenue generated during the year ended 30th June, 2019. This was second to the Government Grants which stood at 56%. 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 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

X. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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.

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 year under review, KEWI trained selected water users in Kakamega with an aim of equipping them with skill necessary for them to continued 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 rivers banks and the general surroundings areas we operate in. During the reporting periods KEWI organized a cleaning exercise in Ongata Rongai in Kajiado County which was graced by the presence of Madam Winny Guchu, CAS for Water and Sanitation. KEWI was also involved in tree planting activities in Nairobi, Kitui, Chiakariga and Kitui. Most of these activities are made possible through partnerships and collaborations

KEWI has also 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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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Institute's affairs.

Principal activities

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

Results

The results of the Institute for the year ended June 30, 2019 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown in the table below. During the FY 2018/19 July 2018 to January 19th 2019, KEWI only had a Chairman and no board members as they had not been appointed. On 7th February 2019 a new Chairperson was appointed. In this regard, from 7th February, 2019 to 22nd June, 2019, KEWI only had the chair person. It was on 22nd June, 2019, when the entire board was constituted,

S/N	Name	Organization	Appointment Date	Designation
1	Hon. Wavinya Ndeti	Independent	7 th February 2019	Chairperson
2	Mrs. Caroline Mugwe	MW&S	28 th June 2018	Member
3	Mrs. Nancy Mugure Waweru	Universities	22 nd June 2019	Member
4	Mr. Wilson Kipkazi	NGO	22 nd June 2019	Member
5	Mr. Peter Kahara	PCBWP	22 nd June 2019	Member
6	Eng. Peter Odhiambo Wanday	Professional body	22 nd June 2019	Member
7	Mr. Eric Cherop Koima	RWUA	22 nd June 2019	Member
8	CPA. Isabella Kogei	Treasury	22 nd June 2019	Member
9	Ms. Lesley Khayadi	Treasury	22 nd June 2019	Member
10	Dr. Leunita A. Sumba	KEWI	23 rd March 2016	Secretary to the Governing

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 year/period ended June 30, 2019.

By Order of the Board

Kennedy R. O. Riaga
For: The Corporate Secretary
Kenya Water Institute
Date: 30th September, 2019

XII. STATEMENT OF GOVERNING COUNCIL 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 year/period and the operating results of the Institute for that year/period. The Governing Council Members are also required to ensure that Kenya Water 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.

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

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 9 1. 2019 and signed on its behalf by:



Peter Kahara
For: Chairperson, KEWI Governing Council

Date: 30th September, 2019

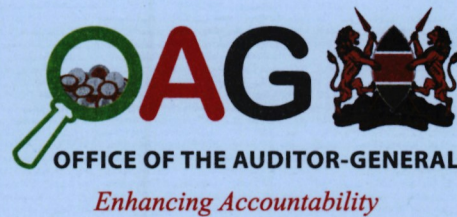


Kennedy R. O. Riaga.
Ag. Director

Date: 30th September 2019

**KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

REPUBLIC OF KENYA



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA WATER INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Water Institute set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Water Institute as at 30 June, 2019, 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 (Revised 2012) and the State Corporations Act, Cap 446 of the Laws of Kenya.

Basis for Qualified Opinion

1. Land Without Ownership Documents

The statement of financial position reflects property, plant and equipment with a net book value of Kshs.1,519,149,762, as disclosed in Note 20A. Included in the balance are three plots of land in Nairobi, Kitui and Embu with an aggregate book value of Kshs.1,044,642,000. The Institute has Allotment Letters for the plots but has not obtained title documents to secure its legal ownership of the plots.

The records on the Institute's assets further indicated that Management does not maintain a fixed assets register to provide disclosure on the costs, valuations locations and other relevant information on the Institute's fixed assets as required in International Public Sector Accounting Standards and the reporting framework prescribed by the Public Sector Accounting Standards Board.

In the circumstance, it has not been possible to confirm the valuation, completeness and ownership of the property, plant and equipment balance totalling Kshs.1,519,149,762 as at 30 June, 2019.

2. Long Outstanding Receivables

The financial statements reflect gross trade receivables from exchange transactions totalling Kshs.102,175,726 as disclosed in Note 18A. The balance includes long outstanding student fees debts totalling Kshs.59,000,000 and trade debtors totalling Kshs.27,000,000. Management has not explained the reason why the debts have remained unpaid for long periods and especially those due from students who, according to Management, were sponsored by the parent Ministry.

In addition, although Management provided for bad and doubtful debts equivalent to 30% of the total debts, the provision may not be sufficient as there is no evidence of previous recoveries of the debts.

Further, the Institute does not have an approved debt management policy to provide guidance on how the debts may be recovered.

In the circumstances, it has not been possible to confirm the recoverability of the net receivables from exchange transactions balance totalling Kshs.74,346,049 as at 30 June, 2019.

3. Unconfirmed Allowance Payments

Note 12 to the financial statements reflects expenses on remuneration of Governing Council Members totalling Kshs.5,706,063. Included in the balance are other allowances totalling Kshs.4,763,236 which in turn include sitting allowances totalling Kshs.1,160,000. However, the latter expenditure was not supported by minutes and signed registers of meetings attended by the Members.

In the absence of appropriate evidence, the occurrence, validity and measurement of sitting allowance expenses totalling Kshs.1,160,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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 which, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there were no key audit matters to report in the year under review.

Other Matter

Delayed Completion of Project

Records on projects under implementation reflected work-in progress valued at Kshs.236,324,873 as at 30 June, 2019. Included in the balance were construction works for Chiakariga Campus in Tharaka Nithi County contracted at a cost of Kshs.19,903,802. The works commenced on 27 September, 2017 and were due for completion in 42 weeks to August, 2018 but were not completed. There were no records of any expenditure on the project during the year under review.

In the circumstance, the project has not achieved its objectives.

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, 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. Uneconomical Drilling Activities

As similarly reported in the previous year, the Institute did not earn any revenue from water drilling activities during the year under review, as disclosed in Note 8 to the financial statements. However, Note 16 to the financial statements reflects drilling activities expenses totalling Kshs.29,087,705. As the data confirms, the Institute continues to incur significant expenses on drilling activities that do not realize any revenue. In the circumstance, the commercial viability of the activities, and which the Management Report accompanying the financial statements indicates have been up-scaled, is doubtful.

2. Staff Receivables

Examination of imprest records indicated imprests totalling Kshs.41,960,492 due for surrender were outstanding as at 30 June, 2019. There was no indication that Management had sought to recover the long outstanding imprests from the respective staff. Further, the imprest register revealed that, contrary to Section 93(8) of the Public Finance Management Act, 2012, Legal Notice No.35, 20 staff members were issued with additional imprests totalling Kshs.10,037,884 before accounting for previous ones.

Management was therefore in breach of the regulations on control of imprest expenditures.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention liquidate the Institute or 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.

Those charged with governance are responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of Management's systems for monitoring compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

19 July, 2021

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**XIV. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018-2019 Kshs	2017-2018 Kshs
Revenue from non exchange transactions			
Government grants & Other Donations	7	215,753,560	152,606,680
		215,753,560	152,606,680
Revenue from exchange transactions			
Rendering of services	8	167,509,474	146,169,841
Rental revenue from facilities and equipment	9	1,900,105	2,960,589
Other income	10	942,484	397,939
		170,352,062	149,528,369
Total revenue		386,105,622	302,135,049
Expenses			
Employee costs	11	192,565,966	172,361,571
Remuneration of Governing Council	12	5,706,063	9,193,245
Depreciation and amortization expense	13	25,041,923	26,533,024
Repairs and maintenance	14	13,722,451	7,884,758
Contracted services	15	4,369,261	4,453,360
General expenses	16	150,537,982	104,742,671
Total expenses		391,943,647	325,168,629
Surplus(Deficit) for the Year		- 5,838,024	- 23,033,580

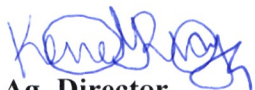
The notes set out on pages 6 to 20 form an integral part of these Financial Statements


KENYA WATER INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENTS
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**XV. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		2018-2019 Kshs	2017-2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	52,575,780	22,242,914
Receivables from exchange transactions	18A	74,346,049	74,834,770
Receivables from Non- exchange transactions	18B	52,686,648	36,790,019
Inventories	19	3,480,303	5,072,663
Total Current Assets		183,088,780	138,940,366
Non-current assets			
Property, plant and equipment	20A	1,519,149,762	1,532,822,538
Work In Progress	21	236,324,873	190,008,974
Total Non- Current Assets		1,755,474,635	1,722,831,511
Total assets		1,938,563,415	1,861,771,877
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	73,050,392	49,815,360
Refundable deposits from students	23	1,601,165	2,454,685
Provisions for Audit fees		580,000	580,000
Deferred income	24	21,934,376	21,344,326
Total liabilities		97,165,933	74,194,371
Net assets			
Capital Reserves		144,184,894	144,184,894
Revaluation Reserves		1,393,516,687	1,393,516,687
Revenue Reserves		165,415,537	171,595,561
Capital Fund		138,280,364	78,280,364
Total net assets		1,841,397,482	1,787,577,506
Total net assets and liabilities		1,938,563,415	1,861,771,877

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


Ag. Director
Kennedy R. O. Riaga.
30th September, 2019


Head of Finance
Jorum M. Muli
ICPAK Member Number: 17444
30th September, 2019


For: Chairperson, Governing Council
Peter Kahara
30th September, 2019

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**XVI. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019**

	Capital Reserves Kshs	Capital Fund Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	Total Kshs
Balance as at 30 June 2017	144,184,894	52,542,614	1,393,516,687	194,629,141	1,784,873,336
Prior year adjustment - Rent for 2014/15	-	-	-	(342,000)	(342,000)
Addition for the period	-	25,737,750	-	-	25,737,750
Surplus/(deficit) for the period	-	-	-	(23,033,580)	(23,033,580)
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2018	144,184,894	78,280,364	1,393,516,687	171,253,561	1,787,235,506
Addition for the period	-	60,000,000	-	-	60,000,000
Surplus/(deficit) for the period	-	-	-	(5,838,024)	(5,838,024)
Transfers to/from accumulated surplus	-	-	-	-	-
Balance as at 30 June 2019	144,184,894	138,280,364	1,393,516,687	165,415,537	1,841,397,482

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.

KENYA WATER INSTITUTE
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**XVII. STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019 Kshs	2017-2018 Kshs
Cash flow from Operating Activities before changes in working capital			
Net profit/(Loss) for the year		- 5,838,024	- 23,033,580
Prior year adjustment - Rent for 2014/15		- 342,000	-
Adjustment for Depreciation	13	25,041,923	26,533,024
		-	-
		18,861,899	3,499,444
Changes in working capital			
Decrease in Receivables	18A/18B	- 15,407,908	- 26,959,110
Increase in Inventories	19	1,592,360	- 594,668
Increase in Payables	22/23/24	22,971,562	- 5,039,804
Net Cash flow generated from operating activities		9,156,014	- 32,593,582
Cash flow from Investing Activities			
Acquisition of Property, Plant and Equipment& WIP	20A/21	- 57,685,047	- 8,432,491
		- 57,685,047	- 8,432,491
Net Cash flow from financing activities		60,000,000	25,737,750
Net Decrease in Cash and Cash equivalents		30,332,866	- 11,788,879
Cash and cash equivalents at the start of year		22,242,914	34,031,793
Cash and cash equivalents at end of year		52,575,780	22,242,914

XIX. 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 entity 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 2019

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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.

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Inter-Entity Transfers

Entity	Disbursement	Development	Recurrent	Date
Ministry of Water & Sanitation	17,979,463	-	17,979,463	9/5/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	9/5/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	9/6/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	9/6/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	10/3/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	10/3/2018
Ministry of Water & Sanitation	2,500,000	2,500,000	-	10/18/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	11/2/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	11/2/2018
Ministry of Water & Sanitation	17,979,463	-	17,979,463	12/3/2018
Ministry of Water & Sanitation	15,000,000	15,000,000	-	12/28/2018
Ministry of Water & Sanitation	12,500,000	12,500,000	-	12/31/2018
Ministry of Water & Sanitation	17,979,464	-	17,979,464	5/17/2019
Ministry of Water & Sanitation	17,979,465	-	17,979,465	6/4/2019
Ministry of Water & Sanitation	17,979,464	-	17,979,464	6/27/2019
Ministry of Water & Sanitation	15,000,000	15,000,000	-	6/27/2019
Ministry of Water & Sanitation	15,000,000	15,000,000	-	7/4/2019
Total	275,753,560	60,000,000	215,753,560	

Recurrent grants have been recognized as income while development grants recognized as a capital fund.

b) Budget information

The original budget for FY 2018-2019 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%

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, The Institutes Bank account balances include amounts held at the Kenya Commercial Bank at the end of the financial year 2018/2019.

e) 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

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.

f) 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.

g) 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

h) 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.

i) Deferred Income

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

j) Refundable Deposits from Students

This constitutes the amounts held by the Institute on behalf of students in the form of medical funds and caution money. The students are allowed to access the medical funds, to a limit of the

amount contributed per semester, only if they fall sick. These deposits are refundable on completion of the course.

k) 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.

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 Courses and programs in the water sector.

6. RELATED PARTIES

The institute is wholly owned and controlled by the government. Hence, no subsidiaries and directors do not have shares.

Details of other related parties are as follows;

a) National Government

The institute is under the Ministry of Water and sanitation and grants of Ksh. 275,753,560 were received; recurrent grant of Ksh. 215,753,560 and development grant of Ksh. 60,000,000. 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.

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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.

	2018-2019 Kshs	2017-2018 Kshs
Remuneration of Governing Council	5,706,063	9,193,245

d) Senior Management

Out of the employees cost of Ksh. 192,565,966 the 6 senior management members got a share of 12%.

	2018-2019 Shs	2017-2018 Shs
7. Revenue from non exchange transactions		
Recurrent Grants (Ministry of Water & Irrigation)	215,753,560	149,534,700
Other Donations (Kitui CDF in Kitui County & NUFFIC)	-	3,071,980
Total	215,753,560	152,606,680
8. Rendering of services		
Tuition fees - Students	93,271,670	75,127,880
Registration fees-500004	662,200	586,300
ID Card	630,400	588,800
Examination Fee-500007	9,243,800	8,488,810
Accommodation-500001	39,843,634	28,768,286
Kitchen Cash Sales	616,430	509,590
Graduation fees	1,161,600	824,000
Student Refers	735,450	981,700
Students lunch fee	178,200	85,450
Lab analysis	3,508,891	1,688,193
Consultancy fee	6,643,532	11,710,640
Application fee	1,240,805	824,000
Seminars and Workshops	3,815,162	2,102,254
Short Courses	3,673,800	8,585,742
Drilling Revenue	-	3,675,996
Activity fee	2,095,200	1,616,200
Kenya Universities & Colleges Central Placement Services processing fee	159,000	6,000
Personal accident Cover-Tullow Students	29,700	-
Total	167,509,474	146,169,841
9. Rental revenue from facilities and equipment		
Hire of Conference Facilities	1,900,105	2,960,589

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10. Other Revenues		
Miscellaneous Income	187,565	296,576
Sale of Tender Documents	8,000	10,000
Library fines and Staff Surcharges	14,319	90,720
Cheque Clearance fee	-	644
Gain on Disposal of Assets	732,600	-
Total	942,484	397,939
11. Employee costs		
Salaries & Wages	139,476,286	123,306,868
Contribution to Pensions	8,728,540	5,989,908
Other allowances	14,973,928	15,230,683
Housing allowances	28,388,295	27,737,348
Overtime payments	998,918	96,763
Total	192,565,966	172,361,571
12. Remuneration of Governing Council		
Chairman's Honoraria	942,827	960,000
Other allowances	4,763,236	8,233,245
Total Governing Council Emoluments	5,706,063	9,193,245
13. Depreciation and amortization expense		
Property, plant and equipment	25,041,923	26,533,024
Intangible assets	-	-
Total depreciation and amortization	25,041,923	26,533,024
14. Repairs and maintenance		
Maintenance of Motor vehicles	6,804,148	2,270,849
Maintenance of computers	1,281,858	1,110,950
Maintenance of buildings & stations	3,047,732	2,517,171
Maintenance of office furniture	1,030,962	377,950
Maintenance of Plant & machinery	1,314,751	1,607,838
Refurbishment of buildings	243,000	-
Total	13,722,451	7,884,758
15. Contracted services		
Contracted Guards	4,281,981	4,403,860
Contracted Technical Services	87,280	49,500
Total	4,369,261	4,453,360
16. General expenses		
Electricity	6,928,544	6,039,548
Water & Connections	1,646,785	1,632,997
Gas Expenses	3,168,430	2,489,550
Telephone Expenses	1,895,527	1,375,896
Internet Connections	1,998,540	4,014,698
Postal & Courier	125,658	58,220

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Travel Costs-Domestic	901,187	28,000
Accommodation-Domestic	107,920	123,802
Daily Subsistence-Domestic	19,131,883	13,732,624
Travel Costs(Airlines)-Foreign	639,090	276,098
Accommodation-Foreign	219,981	426,742
Daily Subsistence Allowance- Foreign	2,056,425	2,087,740
Publishing & Printing	2,061,900	1,879,916
Subscription To Newspapers	261,783	386,400
Advertising	1,933,609	514,297
Trade Shows	502,542	12,800
Payment of Rent & Rates	2,701,498	2,701,498
Training Expenses	551,017	746,934
Graduation Expenses	1,920,023	1,324,600
Catering Expense	5,594,780	5,148,225
Group Personal Insurance	-	822,007
Plant, Equip & Machinery Insurance	767,447	720,602
Motor Vehicle Insurance	413,842	993,221
Medical Insurance	9,550,832	4,919,620
Fungicides	703,541	664,534
Purchase of Workshop Tools	2,481,702	181,450
Lab Materials & Supplies	1,082,491	2,223,381
Education & Lib Supplies	399,370	222,500
Food & Rations	30,476,631	23,495,548
Purchase of Staff Uniforms	334,115	393,938
Purchase of Beddings	1,257,910	-
General Office Supplies	6,602,432	4,042,731
Supplies & Accessories for computers and printers	70,395	145,855
Sanitary & Cleaning Materials	2,669,102	2,290,286
Refined Fuels - transport	5,170,225	3,465,693
Other fuels	-	133,500
Bank Charges	551,653	635,442
Membership Fees, Dues	465,768	393,400
Sports and student related activities	2,054,006	2,478,949
NUFFIC Niche Expenses	-	474,479
Legal Fees	1,183,605	2,965,502
Audit Fees	580,000	580,000
Bad Debts	- 5,528,003	- 2,599,849
Research Expenses	2,261,982	1,584,158
Pre-Feasibility	1,752,355	1,989,808
Capacity Building	1,778,334	-
Drilling Expense	29,087,705	6,427,348
Agricultural expenses	-	85,400
Foreign exchange loss	23,419	12,584
Total	150,537,982	104,742,671

17. Cash and cash equivalents

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Account with Kenya Commercial Bank-current	31,173,356	10,529,505
Account with Kenya Commercial Bank-savings	-	118
Account with Kenya Commercial Bank -guarantee	-	-
Account with Kenya Commercial Bank -Project Account	21,207,711	11,710,016
Cash in Hand	194,713	3,275
Total	52,575,780	22,242,914
18A. Receivables from exchange transactions		
Trade Receivables	102,175,726	109,702,616
Less: Prov. For bad debts	- 30,311,573	- 35,839,576
Net Receivables	71,864,153	73,863,041
Prepayments	2,481,895	971,729
Total	74,346,049	74,834,770
18B. Receivables from Non- exchange transactions		
Staff Receivables	52,686,648	36,790,019
Net Receivables	52,686,648	36,790,019
19. Inventories		
Main Campus	2,497,944	3,007,452
Chiakariga Campus	747,020	1,805,085
Kitui Campus	235,339	260,126
Total	3,480,303	5,072,663

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20A. Property, plant and equipment	Land	Buildings	Motor vehicles	Furniture and fittings	Plant and Equipment	Computers	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1st July 2017	1,044,642,000	487,301,089	23,700,000	9,575,397	82,999,146	12,155,879	1,660,373,511
Additions	-	-	-	-	135,345	-	135,345
Disposals	-	-	-	-	-	-	-
At 30th June 2018	1,044,642,000	487,301,089	23,700,000	9,575,397	83,134,491	12,155,879	1,660,508,856
Additions	-	-	-	3,626,250	776,148	6,966,749	11,369,147
Disposals	-	-	- 700,000	-	-	-	- 700,000
At 30th June 2019	1,044,642,000	487,301,089	23,000,000	13,201,647	83,910,639	19,122,628	1,671,178,003
Depreciation							
At 1st July 2017	-	38,890,331	16,560,000	3,734,219	30,707,398	11,261,346	101,153,295
Depreciation	-	9,746,022	4,740,000	957,540	10,391,811	697,651	26,533,024
On Disposals	-	-	-	-	-	-	-
At 30th June 2018	-	48,636,353	21,300,000	4,691,759	41,099,210	11,958,997	127,686,318
Depreciation	-	9,746,022	1,200,000	1,320,165	10,488,830	2,286,907	25,041,923
On Disposals	-	-	- 700,000	-	-	-	- 700,000
At 30th June 2019	-	58,382,374	21,800,000	6,011,924	51,588,040	14,245,904	152,028,241
Net book values							
At 30 June 2019	1,044,642,000	428,918,715	1,200,000	7,189,724	32,322,599	4,876,724	1,519,149,762
At 30 June 2018	1,044,642,000	438,664,736	2,400,000	4,883,638	42,035,281	196,882	1,532,822,538
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 2018/2019 is as per the following schedule since some of them had fully depreciated.

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	Computer Cost					
	13/14	14/15	15/16	16/17	17/18	18/19
Revalued Amount/Cost	4,623,510	9,117,010	10,187,060	12,155,879	12,155,879	12,155,879
Additions during the year	4,493,500	1,070,050	1,968,819	-	-	6,966,749
Total cost	9,117,010	10,187,060	12,155,879	12,155,879	12,155,879	19,122,628

Computation of the Depreciation charge for Computers at
30%

Year of Acquisition	13/14	14/15	15/16	16/17	17/18	18/19	Total
Year of Depreciation							
13/14	2,735,103	-	-	-	-	-	2,735,103
14/15	2,735,103	321,015	-	-	-	-	3,056,118
15/16	2,735,103	321,015	590,646	-	-	-	3,646,764
16/17	911,701	321,015	590,646	-	-	-	1,823,362
17/18	-	107,005	590,646	-	-	-	697,651
18/19	-	-	196,882	-	-	2,090,025	2,286,907
Total	9,117,010	1,070,050	1,968,819	-	-	2,090,025	14,245,904

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17B. INTANGIBLE ASSETS Shs

Cost	
At beginning July 2017	9,276,740
Additions	-
At end of June 2018	9,276,740
At beginning July 2018	9,276,740
Additions	-
At end of June 2019	9,276,740
Amortization	
At beginning of July 2017	9,276,740
Amortization	-
At end of June 2018	9,276,740
At beginning of July 2018	9,276,740
Amortization	-
At end of June 2019	9,276,740
Net Book Value	-

Rate 20%

21. Work In Progress (WIP)

Relates to Water Resource Centre, Mechanical Production Unit & Kitui Fencing
WIP b/f
Additional WIP for the year

	2018-2019 Shs	2017-2018 Shs
	190,008,974	181,711,828
	46,315,900	8,297,146
	236,324,873	190,008,974

22. Trade and other payables from exchange transactions

Staff Payables
Student Payables
Trade Payables
Retention Fee
Total

	-	-
	3,486,585	2,893,314
	55,454,618	34,300,557
	14,109,189	12,621,490
	73,050,392	49,815,360

23. Refundable Deposits from Students

Caution Money
Medical funds
Welfare funds
Student transport (Tullow)
Total

	690,400	926,840
	575,715	1,527,845
	38,050	-
	297,000	-
	1,601,165	2,454,685

24. Deferred Income

Tuition fee
Accommodation fee
Total

	16,485,660	14,940,860
	5,448,716	6,403,466
	21,934,376	21,344,326

25. Capital Fund

GOK Development Grants

	60,000,000	25,737,750
	60,000,000	25,737,750

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26. Prepayments

VENDOR NAME	CONTRACT PERIOD	VALUE	REMARKS	PREPAYMENTS AS AT 30/06/19	Expense for the Year
Pioneer General Insurance Limited	12.02.19 to 11.02.2020	993,221	Motor Vehicle Insurance	579,379	413,842
BRITAM General Insurance Co(K)Ltd	07.09.18 to 06.09.19	9,060,999	Staff Medical Insurance	1,510,166	7,550,832
Skillman Construction Ltd.	N/A	392,350	Retention fee	392,350	-
		10,446,569		2,481,895	7,964,674

27. The Construction Work in Progress of Ksh. 236,324,873 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.

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' medical funds, welfare funds, caution money as well as Student transport (Tullow students)

30. Comparatives

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

31. Capital commitments

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

Commitments Kshs

a) Construction of Water Resource Centre	50,000,000
b) Geo-Equipping of Water Resource Centre	10,000,000
c) Irrigation & Drainage Engineering block & a Gate	14,600,000
Total	74,600,000

32. Currency

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

33. 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.

34. Government Grants:

The government grants are recognized when realized and spread throughout the financial year. Recurrent grants constitute 56% 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:

The former Director Eng. Mwalimu Musau and 5 other former employees of Kenya water Institute (who were employed on casual basis) had taken the Institute to court claiming damages for alleged wrongful termination of employment and claiming to be employed on permanent and pensionable basis respectively. The cases were determined after the year end, with the total cost being: Kshs 6,945,133 as follows:-

1. Eng.Mwalimu Musau Ksh.6,474,000
2. Rose Ngii Mwanzia Ksh.417,713
3. Nguli Mulatya Ksh.15,678
4. Nobert Marete Nguku KSH.12,526
5. Joseph Kithisya Mbithi Ksh.25,516
6. Interest from the dates of the ruling until full payment
7. Cost of suits is not yet determined

These costs are expected to be settled within the FY 2019-2020.

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 which is yet to be settled.

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. RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

1. 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.

(c) 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

- i. Students pay 60% before they are admitted and the balance before sitting for the exams
- ii. For exchange transactions, clients make 30% deposit before the work can commence
- iii. The Institute has ensured that all government grants are timely disbursed
- iv. 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
- v. There is a follow of revenue from trade debtors to ensure they honor their obligations

- vi. There fidelity guarantee of officers handling cash and insurance of cash in the office and in transit, and reduction of payment in cash

(d) 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

- i. Salary advance and salary in advance to staff have been serviced and are kept low
- ii. All amount due from the government grants was received
- iii. 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

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

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

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. Some court cases of the former employees on alleged unfair termination were ruled in their favor. These cases were determined during the financial year, total cost of Ksh.6, 945, 133 analyzed as follows;

8. Eng.Mwalimu Musau Ksh.6,474,000
9. Rose Ngii Mwanzia Ksh.417,713
10. Nguli Mulatya Ksh.15,678
11. Nobert Marete Nguku KSH.12,526
12. Joseph Kithisya Mbithi Ksh.25,516
13. Interest from the dates of the ruling until full payment
14. Cost of suits is not yet determined

XX. APPENDIX 1: PROGRESS REPORTS ON AUDITORS 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>Pending</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 	<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 	<p>Pending</p>

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Audit basis	Management response to Audit opinion	Current status
<p>left the Institute three years back.</p> <p>2.2 Receivables from Non-exchange transactions</p> <p>- The statement of financial position reflects receivables of Kes 17,685,000 from non-exchange transaction. Out of this amount, Kes 10,359,079 represents net staff receivables aged over 90 days.</p>	<p>staff receivables, including recovery from the payroll. In addition, controls have been put in place to minimize the amount of staff receivables.</p>	<p>Pending</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 Kes 13,712,028</p>	<p>-This has since been rectified and bank reconciliation report as at 30th June 2018 has been availed.</p>	<p>Concluded</p>
<p>4. Irregular and illegal paid salaries</p> <p>-The Institute incurred Kes 164,289,439 as employee cost in the period ended 30th June 2017. Kes 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>Concluded</p>

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Audit basis	Management response to Audit opinion	Current status
<p>5. Un-vouched Expenditure -The Institute incurred Kes 142,816,736 under the general expenses. However, payment vouchers totalling to Kes 15,942,138 were not made available for audit review.</p>	<p>The payment vouchers are now available</p>	<p>Concluded</p>
<p>6. Trade and other payables. -Trade payable balance of Kes 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>Concluded</p>
<p>OTHER MATTERS 1. Financial performance – The statement of financial performance shows a deficit of Kes 52,441,295 for FY 2015/16 and Kes 70,225,712 as of 30th June 2017. No explanation has been provided for the</p>	<p>-The trend shall reverse as the Institutes recurrent budget has been adjusted up wards 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>Concluded</p>

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Audit basis	Management response to Audit opinion	Current status
<p>huge accumulating deficit that impacts</p> <p>2. Comparative budget and actual amounts – The Institutes development budget for the year was Kes 51M. However, the Institute showed an expenditure of Kes 1,706,814 translating to 3.3% of the budget. The reason given for the variance was failure to pay the contractor of Water Resource Centre due to the dispute of the works. -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>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>Concluded</p>
<p>3. Financial statements (Entity Information and Management) 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. The corporate governance statement had no details of:- a) The board meetings held and attendance</p>	<p>Fiduciary oversight body. a. Independent internal audit function b. Audit and Risk Committee of the Governing Council 2. Execution of the mandate during 2016/2017FY, inter alia a. The committee supervised the Internal Audit function b. Communicated with the internal and external auditors c. Evaluated the adequacy of the control environment and provided assurance on the systems of internal control d. Performed other roles and mandate as stipulated in Audit Committee regulations of April 2015</p>	<p>Concluded</p>

Audit basis	Management response to Audit opinion	Current status																																																								
<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>3. Meetings 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> <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" data-bbox="906 495 1209 1413"> <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>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>6/6</td> </tr> <tr> <td>2 Rep. NGOs</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>6/6</td> </tr> <tr> <td>3 Rep. N. Treasury</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>X</td> <td>6/6</td> </tr> <tr> <td>4 Rep. Dir. Water Service</td> <td>O</td> <td>X</td> <td>O</td> <td>X</td> <td>O</td> <td>X</td> <td>3/6</td> </tr> <tr> <td>5 Rep. Min. of Devolutio</td> <td>O</td> <td>X</td> <td>O</td> <td>O</td> <td>O</td> <td>X</td> <td>2/6</td> </tr> <tr> <td>Total members present</td> <td>3</td> <td>5</td> <td>3</td> <td>4</td> <td>3</td> <td>5</td> <td></td> </tr> </tbody> </table> <p>-17 Full board meeting (including special meetings)</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																																																			
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Audit basis	Management response to Audit opinion	Current status
	<p>-5 Programme and development committee meetings -12 Audit and risk committee meetings -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. Management has initiated the process of reviewing the Act and one of the recommendations is have the board appointments staggered. This will address the succession challenges being experienced.</p> <p>-With the incoming of the Mwangozo, the Institute did not develop the Institutes charter. The Institute adopted Mwangozo. -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.</p>	

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XXI. APPENDIX II: INTER-ENTITY TRANSFERS

KENYA WATER INSTITUTE				
Break down of Transfers from the State Department of Water and Sanitation				
FY 2018/2019				
a.	Recurrent Grants	Bank Statement Date	<u>Amount (KShs)</u>	The Amounts relate to FY 2018/2019
		9/5/2018	17,979,463	2018/2019
		9/5/2018	17,979,463	2018/2019
		9/6/2018	17,979,463	2018/2019
		9/6/2018	17,979,463	2018/2019
		10/3/2018	17,979,463	2018/2019
		10/3/2018	17,979,463	2018/2019
		11/2/2018	17,979,463	2018/2019
		11/2/2018	17,979,463	2018/2019
		12/3/2018	17,979,463	2018/2019
		11/2/2018	17,979,463	2018/2019
		5/17/2019	17,979,464	2018/2019
		6/4/2019	17,979,465	2018/2019
		6/27/2019	17,979,464	2018/2019
		Total	215,753,560	
b.	Development Grants	Bank Statement Date	<u>Amount (KShs)</u>	The Amounts relate to FY 2018/2019
		10/18/2018	2,500,000	2018/2019
		12/28/2018	15,000,000	2018/2019
		12/31/2018	12,500,000	2018/2019
		6/27/2019	15,000,000	2018/2019
		7/4/2019	15,000,000	2018/2019
		Total	60,000,000	

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

Finance Manager
KENYA WATER INSTITUTE

Head of Accounting Unit
WATER & SANITATION

Sign -----

Sign-----

KENYA WATER INSTITUTE
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XXII. APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIE

Name of the MDA/Donor Transferring the funds	Date received	Recurrent/D evelopment	Total Amount Kshs	Where Recorded/recognized		
	as per bank statement			Statement of Financial Performance	Capital Fund	Total Transfers during the Year
Ministry of Water and Sanitation	9/5/2018	Recurrent	17,979,463	17,979,463	-	
“	9/5/2018	“	17,979,463	17,979,463	-	
“	9/6/2018	“	17,979,463	17,979,463	-	
“	9/6/2018	“	17,979,463	17,979,463	-	
“	10/3/2018	“	17,979,463	17,979,463	-	
“	10/3/2018	“	17,979,463	17,979,463	-	
“	11/2/2018	“	17,979,463	17,979,463	-	
“	11/2/2018	“	17,979,463	17,979,463	-	
“	12/3/2018	“	17,979,463	17,979,463	-	
“	11/2/2018	“	17,979,463	17,979,463	-	
“	5/17/2019	“	17,979,464	17,979,464	-	
“	6/4/2019	“	17,979,465	17,979,465	-	
“	6/27/2019	Recurrent	17,979,464	17,979,464	-	
Total			215,753,560	215,753,560	-	215,753,560
Ministry of Water and Sanitation	10/18/2018	Development	2,500,000	-	2,500,000	
“	12/28/2018	“	15,000,000	-	15,000,000	
“	12/31/2018	“	12,500,000	-	12,500,000	
“	6/27/2019	“	15,000,000	-	15,000,000	

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“	7/4/2019	Development	15,000,000	-	15,000,000	
Total			60,000,000	-	60,000,000	60,000,000