

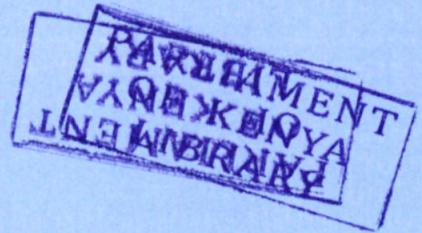
REPUBLIC OF KENYA

26 JUL 2015



*Folder LMD
By the leader of
majority party
Hon. Oleu Duale
on week
27.7.2016
[Signature]*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA WATER INSTITUTE**

**FOR THE YEAR ENDED
30 JUNE 2015**

KENYA WATER INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

**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. The Institute is currently under the Ministry of Environment, Water and Natural Resources, the state department of water. The Institute is a body corporate with perpetual succession and a common seal. Its governance, control and administration are vested in the Council.

(b) Principal Activities

The mandate of KEWI is as follows:

a) 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;

(b) To provide training programmes, seminars and workshops and produce publications aimed at maintaining standards in the water sector;

(c) 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

(d) To conduct examinations and award diplomas, certificates and other awards to successful candidates.

(c) Key Management

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

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

(d) Fiduciary Management

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

No.	Designation	Name
1.	Director	Dr. Leunita A. Sumba
2.	Deputy Director Academic Affairs	Mr. David K. Ngetich
3.	Deputy Director Management Services	Mr. John K. Gatiri
4.	Deputy Director Research	Mr. Paul N. Muthama

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(e) Fiduciary Oversight Arrangements

KEWI's oversight responsibility is vested in the Governing Council and the Audit Committee of the Institute. In addition the Audit and Risk department is responsible for risk assessment and internal control system.

(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
Kenya National Audit Office
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

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II. THE BOARD OF DIRECTORS

GOVERNING COUNCIL MEMBER	PROFILE
 <p>Col. Benjamin Muema <i>Chair KEWI Governing Council</i></p>	<p>Col. Benjamin Muema is a retired Colonel of the Kenya Army. Col. Muema served in the Military for 17 years before his retirement in 1993. During his time in the army Col. Muema undertook military training in various countries, including United Kingdom (Royal Military Academy) the United States of America among others. Col. Muema is a qualified pilot, flight instructor and examiner.</p> <p>He has held senior positions in the corporate world and served in various leadership capacities, both locally and internationally. He has was the Secretary General of New Ford Kenya.</p> <p>Col. Muema has wide experience in training. He was in charge of administrative, logistics, training, operational, planning and coordination at Armed Forces Training College and its satellite colleges as well as in the Cadets Training School, where he was second in command.</p>
 <p>Dr Kamau Thugge <i>Principal Secretary, The National Treasury</i></p>	<p>Dr. Kamau Thugge is a distinguished economist with a PhD in Economics from Johns Hopkins University. He has previously worked in the Ministry of Finance as Head of Fiscal and Monetary Affairs Department, Economic Secretary and as Senior Economic Advisor.</p> <p>Before joining the Ministry of Finance he worked with the International Monetary Fund (IMF) as an Economist/Senior Economist and Deputy Division Chief.</p> <p>Dr. Thugge holds a Bachelor of Arts (Economics) from Colorado College, USA; Masters in Economics from Johns Hopkins University, USA; and a Doctor of Philosophy (PhD) in Economics, also from Johns Hopkins.</p>
 <p>Eng. Lawrence. N. Simitu <i>Director Water Services</i></p>	<p>Eng. Lawrence N. Simitu is the Ag. Secretary of Water Services. He holds a Master of Science Degree in Civil Engineering. He is a registered Engineer with Engineers Registration Board and a Corporate member of Institute of Engineers of Kenya.</p> <p>Eng. Simitu has served the water sector in various capacities; Director Water Services, Provincial Water Officer, District Water Engineer among others.</p> <p>Eng. Simitu has a wide experience in the field of water supply and sanitation</p>

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**Ms Mwanamaka Amani
Mabruki**

*Principal Secretary, Ministry of
Devolution and Planning*

Ms. Mwanamaka Amani Mabruki is the Principal Secretary for the State Department of Devolution. Prior to this, she was the Principal Secretary, East African Affairs, a position she held since she was appointed Principal Secretary in the Jubilee Government in July, 2013.

Ms Mabruki has worked as the Managing Director of the Kenya National Shipping Line. During her tenure at the Shipping Line, she developed the first strategic and business plans which aimed at positioning the company as a world class shipping line.

Prior to joining the National Shipping Line, Ms Mabruki was the Head of Corporate Development at the Kenya Ports Authority with the main responsibility for strategic planning and policy development at the Authority. She played a key role in the development of the second container terminal and in the implementation of the National Single Window Community Based System Project. In addition, she was a key member of the team that managed the feasibility study on the Lamu Port, Southern Sudan, Ethiopia Transport Corridor (LAPSSSET) Project.

Ms. Mwanamaka holds Master's and Bachelor's degrees in Economics, both from the University of Nairobi. She has also attended several professional and senior management workshops, seminars and courses locally and abroad.



Ms. Lilian Janice Plapan
Member

Ms. Lilian Janice Plapan is a holder of a Masters of Arts Degree in Rural Social Development from the University of Reading (UK). She worked as a Town Clerk in Eldoret, Iten, Nandi Hills, West Pokot and Webuye.

She lectured for ten years in the University of Nairobi- Extra Mural Center Kapenguria. She is a Human Resources Management specialist.

Founder member of STAT and founder and coordinator of SETAT Women's Organization. She is a member of Court Users Committee West Pokot, and member of District Anti corruption Overseers Committee. She is also a visiting Justice to Kapenguria Prison, and the Chairperson and founder for African Coalition on Traditional Practices (ACTPEW).

On the Council, she represents Registered Water Users Association.

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Prof. Wilson N. Ngecu
Member

Prof. Wilson N. Ngecu holds a PhD Degree from the University of Nairobi. He teaches Geology in the same Institution. Previously Prof Ngecu has been Chairman of Geology Department, University of Nairobi. He was also the previous manager of the Students' Welfare Authority in charge of Chiromo campus and at one stage he was the secretary to the Geology Society of Kenya.

Prof. Ngecu is a consulting hydrologist, a lead NEMA Environmental Expert and a lead member of the Kenya Environmental Institute.

Prof. Ngecu is a registered geologist and a member of Geological Society of Kenya. He has published widely in the water environment issues.

On the KEWI Governing Council, he represents professional bodies, the activities of which relates to the water sector.



Dr. Christopher M. Nyamai
Member

Prof. Christopher M. Nyamai holds a Doctor of Philosophy degree from the University of Nairobi. He is the Ag. Dean, School of Physical Sciences, University of Nairobi. Prof. Nyamai has researched widely and published in the field of geology and geochemistry.

On the KEWI Governing Council, he is a representative of the public universities.



David Kamene M'alaine
Member

Mr. David K. M'alaine. David is the Chairman Bwathonaro Water Users Association, an association he has managed successfully for the last seven years.


On the KEWI Governing Council, Mr. Kamene represents Private Sector managers of community based water and sanitation programmes.



Ms. Catherine Akinyi Mwango
Member



Mrs. Catherine A. Mwango holds a Masters Degree in Management studies for Developing Countries from University of Leeds (UK). She is the Executive Director of Kenya Water for Health Organization (KWAHO). Mrs. Mwango has served on a number of boards including Lake Victoria Water Services Board. She is a member of Sector Wide Approach under the auspices of the Ministry of Water and Irrigation. She is the National Convener of the Technical working group on household water treatment and safe storage. She also a member of the Programme Management Committee on Global Sanitation Fund. On the KEWI Governing Council, Mrs. Mwango represents Non-Governmental Organizations involved in activities related to the water sector.

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	<p>Dr. Leunita Asande Sumba is the Director/CEO of the Kenya Water Institute.</p> <p>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> <p>Dr. Sumba is currently working on Ceramic filters as household water treatment solutions. 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.</p>
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Dr. Leunita A. Sumba
Director/CEO
Kenya Water Institute

III. MANAGEMENT TEAM

	<p>Director, Kenya Water Institute</p>
<p>Dr. Leunita Sumba <i>(Ph.D –Biology; Pg.Dip. Integrated Water Resources Management)</i></p>	
	<p>Deputy Director Academic Affairs</p>
<p>David Ngetich <i>(MPhil. in Geography)</i></p>	

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	<p>Deputy Director Research</p>
<p>Paul Muthama (<i>MSc. Statistics</i>)</p>	
	<p>Deputy Director Management Services</p>
<p>John Gatiri (<i>Executive MBA</i>)</p>	
	<p>Corporate Affairs Manager</p>
<p>Isaac Agevi (<i>BA. Economics, M BA</i>)</p>	
	<p>Audit and Risk Manager</p>
<p>James Kande (<i>B.Com. Accounting</i>)</p>	
	<p>Finance Manager</p>
<p>Kennedy Riaga (<i>BA. Economics, CPA(K), CISA</i>)</p>	

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CHAIRPERSON'S STATEMENT

It gives me great pleasure to present to you the 2014-2015 Kenya Water Institute Annual Report and Financial Statements. 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:

The Institute during the year that has just ended experienced a number of challenges majorly due to insufficient direct GoK budgetary allocations. The Institute received Kes140, 880,000 for personnel emoluments against the expected 176,000,000. The Institute generated Kes 109 Million in Appropriation in Aid (AiA) compared to the previous year where Kes 103 Million was generated. This translates into 5.8 % increase in AiA generation.

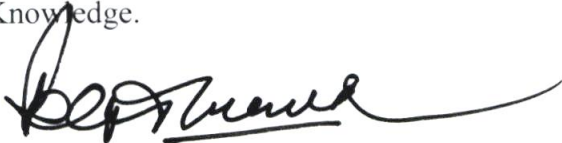
Future Outlook:

The current challenges in water and Irrigation sector in the country places KEWI in a strategic position to play critical role in capacity development for the sector. The Government focus on irrigated agriculture as a key strategy for addressing persistent food shortages provides the Institute with a massive opportunity to be a critical player in ensuring food security. It is in this regard that KEWI embarked on the process of constructing a Water Resource Center to act as hub of water knowledge in the region. In the same line the institute is in the process of sourcing for funds to develop a centre of excellence in irrigation technology. It is envisaged that the school will enhance training for irrigation practitioners for the country and the region. This will widen the customer base and enhance service delivery for the water and irrigation sub-sectors. It is envisaged that the revenue base of the Institute will increase, hence reducing dependence on the exchequer.

Acknowledgement:

I wish to thank the Government through the Ministry of Water and Irrigation, my fellow distinguished members of the KEWI Governing Council for support, the Management team, employees and business partners for their dedicated service to the Institute.

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.



Col. Benjamin Muema
Chairman, Governing Council
Date: 30th September, 2015

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IV. REPORT OF THE DIRECTOR, KENYA WATER INSTITUTE

I present the 2014-2015 Kenya Water Institute Annual Report and Financial Statements for a period when KEWI was faced with challenges of not having the Governing Council for the first ten months of the reporting period. Nonetheless, I am pleased to report that KEWI Management handled these challenges well through planning and prudent utilisation of the available resources (Human Resource, Systems, Financial, Physical Facilities and the technical backstopping of the parent Ministry).

Financial Results:

The institute managed to internally generate Kes. 109 Million AiA compared with the previous year of Kes. 103 Million. This translates into 5.8% increase in AiA generation.

Future Outlook:

Over the years KEWI has been unable to sufficiently enhance its human resources capacity in terms of numbers, programmes and infrastructure in order to effectively fulfil its mandate of capacity building, training, research and consultancy for the water sector. This has been due to inadequate budgetary allocation from the National Treasury. For instance, in the period under review, KEWI received direct GoK budgetary allocation of Kes. 330,880,000 against the budgeted requirement of Kes. 1.9 Billion.

KEWI plans to initiate a number of projects, programmes and activities with an aim of diversifying her revenue streams so as to reducing the financing gap.

In the next one year KEWI will complete the construction of the Water Resource Centre (WRC) at the headquarters in Nairobi. This Centre is expected to support the water sector institutions by serving as a water knowledge hub. It will be dedicated to promoting sustainable development and management of water resources, and wastewater.

Other programmes aimed at enhancing service delivery include the establishment of e-learning infrastructure, curriculum review and development, development of facilities in Kisumu, Kitui and Chiakariga campuses, and the initiation of programmes in other counties as stated in the strategic plan 2010-2015.

In addition, KEWI is already taking advantage of the Public Private Partnership to bridge the budgetary deficit it has faced over period of time.

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

Acknowledgement:

I would like to thank the Government through the Ministry of Water and irrigation for the continued financial support to KEWI. My heartfelt gratitude goes the Cabinet Secretary, Ministry of Water and irrigation and the Principal Secretary for their tireless support, especially during the period when the governing council was absent. I would like to thank the input from the newly appointed Governing Council. I 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

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

ideas, which have led to improved performance in service delivery during the year. Last but not least I acknowledge the value added by the Kenya National Audit Office in ensuring that the financial report represents a true and fair view of the Institute's position.

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.



Leunita A. Sumba PhD.

Director Kenya Water Institute

30th September 2015

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

V. CORPORATE GOVERNANCE STATEMENT

The Institute's governance, control and administration are vested in the Governing Council, whose members nominated by the Cabinet Secretary in charge of water 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 Irrigation and is responsible for ensuring that the Institute complies with the highest standards of corporate governance and business ethics. The activities in the Institute are conducted with integrity and in accordance with generally accepted corporate practice and principles.

The Governing Council was inducted by the then Cabinet Secretary for Environment, Water and Natural Resources in May 2015 and therefore they were not in office at the start of the reporting period. Nevertheless, management held regular meetings and where appropriate made decisions in consultation with the Parent Ministry and state corporation Advisory Committee to ensure that corporate governance and good business ethics were practised at all times. This enabled management to deliver on the Institute's strategic objectives and maintain effective control of the financial, operational and compliance issues.

KENYA WATER INSTITUTE

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FOR THE YEAR ENDED 30 JUNE 2015

VI. REPORT OF THE DIRECTORS

The Governing Council Members submit their report and the Financial Statements for the year ended 30th June 2015, which show the state of Institute's financial affairs.

1. Principal activities

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

2. Results

The results of the Institute for the year are set out on pages 12 to 14

3. Reserves

The movements in the Institute's reserves are as shown on page 15

Director/ Governing Council Members who served during the year and to the date of this report were:

S/No	Name	Organization	Qualification/ Work experience	Designation
1	Col. Benjamin Muema	Independent	O-level Division 1 Diploma in Military studies 17 years in the Military work Date of Birth-15.05.1957	Chairperson
2	Amb. Felistas V. Khayumbi	Ministry of Devolution and Planning	Appointment Date - 20.2.2015	Alternate Member
3	Ms. Jane W. Wambugu	National Treasury	Appointment Date - 20.2.2015	Alternate Member
4	Prof. Wilson M. Ngecu	Professional bodies	Doctor of philosophy UoN Associate Professor Appointment Date - 20.2.2015	Member
5	Dr. Christopher Munyao Nyamai	University of Nairobi	Doctor of philosophy UON AG. Dean school of Physical Sciences Date of Birth-15.03.1958	Member

KENYA WATER INSTITUTE

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6	Ms. Mary C. Kemunto	Ministry of Water & Irrigation Att. Director Water Services	Masters in Educational Administration and planning Ag. Deputy Director Human Resource Management and Development, Ministry of Water and Irrigation Date of Birth-03.11.1969	Member
7	Ms. Catherine A. Mwangi	Kenya Water for Health Organization (Independent)	Masters of Arts management studies. Executive director KWAHO Date of Birth-3.03.1952	Member
8	Ms. Lilian Janice Plapan	Chair of African Coalition on Traditional Practices (Independent)	Masters of Art Rural Social Development. Former Town clerk Nandi Hills Date of Birth-03.05.1949	Member
9	Mr. David Kamene M'alaine	Bwathonaro Water Users Association (Independent)	Form 2 WRUA Chairman Community Mobilizer-Plan International Date of Birth-01.01.1956	Member

4. Auditors

The Auditor General, as amended by the new Constitution of Kenya, commenced audit of the Institute's accounting records in accordance with the Public Audit Act of 2003.

VII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenya Water Institute Act 2001 requires the Governing Council to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Institute as at the end of the financial year and of its operating results for that year.

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

It also requires the Governing Council to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Governing Council is also tasked with the responsibility of safeguarding the assets of the Institute. During the absence of the Governing Council, Management through the Director undertook the said responsibilities in close consultation with the then Principal Secretary Ministry of Environment, Water and Natural Resource.

The Kenya Water Institute Governing Council accepts responsibility for the Annual Financial Statements. These reports are prepared in line with appropriate accounting policies, based on prudent judgments and estimates consistent with previous years, and are in conformity with International Public Sector Accounting Standards (IPSAS) as required by the Kenya Water Institute Act. Governing Council is of the opinion that the financial statements herein give a true and fair view of the state of the financial affairs of the Institute and of its operating results. Governing Council further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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



Col. Benjamin Muema

Chair, Governing Council

30th September 2015

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

VIII. STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Kenya Water Institute Act 2001 requires the Governing Council to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Institute as at the end of the financial year and of its operating results for that year. It also requires the Governing Council to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Governing Council is also tasked with the responsibility of safeguarding the assets of the Institute. In the absence of the Governing Council, Management through the Director undertook the said responsibilities in close consultation with the Principal Secretary Ministry of Environment, Water and Natural Resource.

The Kenya Water Institute Management accepts responsibility for the Annual Financial Statements. These reports are prepared in line with appropriate accounting policies, based on prudent judgments and estimates consistent with previous years, and are in conformity with International Public Sector Accounting Standards(IPSAS) as required by the Kenya Water Institute Act 2001. Management is of the opinion that the financial statements herein give a true and fair view of the state of the financial affairs of the Institute and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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



Leunita A. Sumba PhD.
30th September 2015
Director

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

**IX. REPORT OF THE INDEPENDENT AUDITORS ON KENYA WATER INSTITUTE
FINANCIAL REPORT YEAR 2014/2015**

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Water Institute set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

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

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

Basis for Qualified Opinion

Property, Plant and Equipment

As reported in the previous years, the property, plant and equipment balance of Kshs.1,565,812,314 as at 30 June 2015 includes the value of land in Nairobi, Chiakariga in Tharaka-Nithi and Kitui valued at Kshs.972,092,000, Kshs.2,555,000 and Kshs.40,000,000 respectively for which the Institute has not acquired title deeds.

Consequently, the accuracy and ownership of the property, plant and equipment balance of Kshs.1,565,812,314 as at 30 June 2015 could not be ascertained.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Institute as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Reporting Standards (Accrual Basis) and comply with the Kenya Water Institute Act, 2001.

Other Matter

1. Budgetary Control

1.1. Over-expenditure

The Institute overspent by Kshs.83,457,463 on various expenditure items above the approved estimates for the financial year contrary to Section 12 of the State Corporations Act, Cap 446.

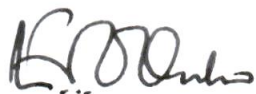
1.2. Under-expenditure

The Institute under-spent by Kshs 22,623,060 on various expenditure items below the approved estimates an indication that the Institute's planned objectives may not have been achieved.

2. Receivables from Exchange Transactions

The receivables from exchange transactions balance of Kshs.129,025,325 was over and above the previous year's balance of Kshs.56,578,863 by Kshs.72,446,462 implying poor debt management on the part of the management.

My opinion is not qualified in respect of these matters.



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

Nairobi

14 July 2016

KENYA WATER INSTITUTE
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

KENYA WATER INSTITUTE
X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30
JUNE 2015

	Note	2014-2015 Kshs	2013/2014 Kshs
Revenue from non-exchange transactions			
Government grants	4	330,880,000	275,880,000
		330,880,000	275,880,000
Revenue from exchange transactions			
Rendering of services	5	107,298,984	97,264,761
Rental revenue from facilities and equipment	6	713,634	1,848,926
Other income	7	558,470	4,387,702
		108,571,088	103,501,389
Total revenue		439,451,088	379,381,389
Expenses			
Employee costs	8	166,975,604	174,824,347
Remuneration of Governing Council	18	692,084	2,020,142
Depreciation and amortization expense	17A & 17B	24,381,890	23,424,343
Repairs and maintenance	9	11,722,103	12,684,588
Contracted services	10	4,051,512	3,043,214
General expenses	11	104,712,644	59,003,832
Total expenses		312,535,837	275,000,466
Surplus(Deficit) for the Year		126,915,251	104,380,923

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XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

		2014-2015	2013-2014
Assets			
Current assets			
Cash and cash equivalents	12	76,922,374	116,474,353
Receivables from exchange transactions	13	129,025,325	56,578,863
Inventories	2(d)	1,850,280	3,856,421
		207,797,979	176,909,637
Non-current assets			
Property, plant and equipment	17A	1,565,812,314	1,581,984,666
Intangible assets	17B	1,855,348	3,068,170
Work in progress(WIP)	17C	126,489,250	=
Total Non- Current Assets		1,694,156,912	1,585,052,836
Total assets		1,901,954,891	1,761,962,473
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	14	37,953,492	25,203,847
Refundable deposits from students	15	250,970	869,130
Provisions for Audit fees		537,602	537,602
Deferred income	16	7,731,513	6,785,832
Total liabilities		46,473,578	33,396,411
Net assets			
Capital Reserves		144,184,894	144,184,894
Revaluation Reserve		1,393,516,687	1,393,516,687
Revenue Reserves		317,779,733	190,864,481
Total net assets		1,855,481,314	1,728,566,062
Total net assets and liabilities		1,901,954,891	1,761,962,473

Asande.

Dr. Leunita A. Sumba (PhD).
30th September 2015

Director

Benjamin Muema

Col. Benjamin Muema
30th September 2015

Chair, Governing Council

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XII. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2015

		2014/15	2013/14
		Kshs	Kshs
Cash flow from Operating Activities before changes in working capital	Notes		
Net profit (Shortfall) for the year		126,915,251	104,380,923
Adjustment for Depreciation and Armotization	17A&17B	24,381,890	23,424,343
Prior Year Adjustment for Depreciation		(642,526)	
		150,654,615	127,805,266
Changes in working capital			
(Increase)/Decrease in Receivables	13	(72,446,462)	(15,502,560)
(Increase)/Decrease in Inventories	2(d)	2,006,141	(1,153,287)
Increase/(Decrease) in Payables	14	13,077,167	8,752,801
Net Cash flow generated from operating activities		(57,363,154)	119,902,220
Cash flow from Investing Activities			
(Acquisition)/ Disposal of Property, Plant and Equipment & WIP	17A&17C	(132,843,440)	(43,008,407)
Net Cash flow from financing activities		-	
Net Increase/(Decrease) in Cash and Cash equivalents		(39,551,980)	76,893,813
Cash and cash equivalents at the start of year		116,474,354	39,580,541
Cash and cash equivalents at end of year 2015	12	76,922,374	116,474,354

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

	Attributable to the owners of the controlling entity			Total
	capital Reserves Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	
Balance as at 30 June 2013	144,184,894	406,263,457	86,483,559	636,931,910
Revaluation gain (loss)		987,253,230		987,253,230
Surplus/(deficit) for the period	-		104,380,923	104,380,923
Balance as at 30 June 2014	144,184,894	1,393,516,687	190,864,482	1,728,566,063
Surplus for the period			126,915,251	126,915,251
Transfers to/from accumulated surplus	-	-		-
Balance as at 30 June 2015	144,184,894	1,393,516,687	317,779,733	1,855,481,314

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XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR 2014/2015

	Notes	Original budget 2014-2015	Adjustments 2014-2015	Final budget 2014-2015	Actual on comparable basis 2014-2015	Performance difference 2014-2015
		Kshs	Kshs	Kshs	Kshs	Kshs
Revenue						
Government grants and subsidies	22(i)	310,880,000	20,000,000	330,880,000	330,880,000	-
Rendering of services		93,351,200	-	93,351,200	108,571,088	15,219,888
Total income		404,231,200	20,000,000	424,231,200	439,451,088	15,219,888
Expenses						
Compensation of employees	22(ii)	140,880,000	-	140,880,000	166,975,604	(26,095,604)
Finance cost		700,000	-	700,000	516,197	183,803
Rent		3,451,200	-	3,451,200	2,058,000	1,393,200
Other payments	22(iii)	259,200,000	20,000,000	279,200,000	143,488,061	135,711,939
Total expenditure		404,231,200	20,000,000	424,231,200	313,037,862	111,193,338
Surplus for the period		Nil		Nil	126,413,226	(95,973,450)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015****XV. NOTES TO THE FINANCIAL STATEMENTS****1. Statement of compliance and basis of preparation – IPSAS 1**

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 unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies**a) Revenue recognition**

Fees represent invoiced value of services rendered during the year in relation to training and consultancy and other miscellaneous forms of revenue taking care of the deferred income.

c) Property, Plant and Equipment

Fixed assets are stated at cost less accumulated depreciation.

The first KEWI audited accounts for the FY 2003/2004 shows that the original valuation of KEWI 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 valuation by an inter-ministerial technical committee on transition of KEWI to a Semi-Autonomous Government Agency. These valuations have been used to come up with the reported capital reserves of Kshs.144, 894,773.

Depreciation 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%
Plantand Equipment	12.50%
Furniture	10.00%
Motor Vehicles	20.00%
Computers	30.00%
Software	20.00%

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d) 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.

Inventory Breakdown	2014/2015	2013/2014
	Amount (Ksh.)	Amount (Ksh.)
Campuses		
Main Campus	1,627,308	2,736,668
Chiakariga	192,764	434,678
Kitui	30,208	685,075
Total	1,850,280	3,856,421

e) 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 current, 1-30, 31-60, 61-90 and > 90 days respectively.

3. 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 Irrigation and a grant of Ksh. 330,880,000 was received; recurrent grant of Ksh. 140,880,000 and development grant of Ksh. 190,000,000. Besides, the ministry also 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.

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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 benefits from sitting and other applicable allowances.

d) Senior Management

Out of the employees cost of approx. Ksh. 166 million, the 6 senior management members get a share of 15% .

No.	2014/2015	2013/2014
4 Government grants		
Development Grants - Capital	190,000,000	135,000,000
Personal Emoluments(pe)	140,880,000	140,880,000
Total	330,880,000	275,880,000
5 Rendering of services		
Tuition fees - Students	51,513,927	41,791,587
Registration fees-500004	256,640	146,680
ID Card	257,440	147,080
Examination Fee-500007	6,018,190	5,702,950
Accomodation-500001	32,062,926	27,039,499
Kitchen Cash Sales	844,550	673,980
Graduation fees	307,000	224,500
Student Refers	504,250	280,000
Students lunch fee	257,900	263,550
Lab analysis	997,730	1,015,800
Consultancy fee	3,513,610	1,055,840
Application fee	524,300	569,500
Seminars and Workshops	1,039,791	4,743,984
Short Courses	9,200,730	13,609,810
Total	107,298,984	97,264,761
6 Rental revenue from facilities and equipment		
Hire of Facilities	689,171	1,828,925
Rent income	24,463	20,001
Total	713,634.00	1,848,926

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7	Other Revenues		
	Miscellaneous Income	467,387	667,606
	Cheque Clearance fee	-	21,229
	Gain on disposal of fixed assets	-	928,044
	Sale of Tender Documents	35,000	678,500
	UON Accommodation	-	1,584,300
	Library fines and books	56,083	7,806
	Total	558,470	4,387,702
8	Employee costs		
	Basic Salary	118,992,805	128,387,136
	House allowances & other allowances	34,745,107	37,020,305
	Gratuity & Pension	13,237,693	9,416,906
	Total	166,975,604	174,824,347
9	Repairs and maintenance		
	Maintenance of Motor vehicles	3,637,489	2,717,901
	Maintenance of computers	1,704,271	2,780,815
	Maintenance of buildings & stations	4,070,063	890,945
	Maintenance of office furniture	180,700	261,800
	Maintenance of Plant & machinery	1,466,922	1,658,178
	Refurbishment of buildings	662,659	4,374,948
	Total	11,722,103	12,684,588
10	Contracted services		
	Contracted Guards	4,002,716	3,022,363
	Contracted Technical Services	48,796	20,851
	Total	4,051,512	3,043,214
11	General expenses		
	Electricity	6,154,341	4,931,044
	Water & Connections	1,894,084	1,774,044
	Gas Expenses	3,339,023	4,422,280
	Telephone Expenses	1,442,234	1,586,479
	Internet Connections	567,599	619,408
	Postal & Courier	62,020	125,240
	Travel Costs	282,375	432,327
	Accommodation (Domestic)	1,134,801	714,095
	Daily Subsistence(Domestic)	10,086,663	4,009,020

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Travel Costs(Airlines)	551,341	43,310
Accommodation (Foreign)	246,073	306,616
Daily Subsistence Allowance(Foreign)	1,404,279	373,789
Publishing & Printing	228,819	1,475,821
Subscription to Newspaper	475,611	449,308
Advertising	4,117,815	3,342,198
Trade Shows	760,565	484,135
Payment Of Rent & Rates	2,058,000	5,119,800
Training Expenses	11,520	176,737
Graduation Expense	536,359	912,880
Catering Expense	2,737,754	2,904,634
Group Personal Insurance	131,404	674,664
Plant, Equipment & Machinery Insurance	679,224	190,687
Motor Vehicle Insurance	1,300,082	1,361,395
Medical Insurance	10,511,105	10,686,179
Fungicides	259,615	191,811
Purchase of W/Shop Tools	522,027	150
Lab Materials &Supplies	1,817,012	297,606
Education & Lib Supplies	169,603	3,644,599
Purchase of Staff Uniforms	-	261,394
Purchase of Beddings	-	4,976
General Office Supplies	1,475,644	1,524,958
Supplies & Accessories for computers	148,149	177,239
Sanitary & Cleaning Mat.	866,504	710,555
Miscellaneous Supplies	-	597,030
Refined Fuels	4,503,829	3,208,365
Membership Fees & Dues	2,318,954	445,000
Legal Fees	230,000	600,000
Audit Fees	1,081,602	537,602
Bank Charges	516,197	506,352
Bad Debts	17,326,329	-27,468,519
Food & Ratios	8,637,701	10,398,496
Research Expenses	969,350	1,634,730.00
Pre-Feasibility	8,907,853	7,850,775
Capacity Building	3,592,164	6,764,624
Total	104,712,644	59,003,832

12 Cash and cash equivalents

Account with Kenya Commercial	75,560,186
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	Bank-current		115,046,621
	Account with Kenya Commercial Bank-savings	115,522	117,174
	Account with Kenya Commercial Bank -guarantee	1,000,000	1,000,000
	Cash in Hand	246,666	310,558
	Total	76,922,374	116,474,353
13	Receivables from exchange transactions		
	Trade debtor	181,092,951	67,324,265
	Less: Prov. For bad debts	(61,123,721)	(16,328,873)
	Net debtors	119,969,231	50,995,392
	Prepayments	9,056,094	5,583,472
	Total	129,025,325	56,578,863
	Trade and other payables from exchange transactions	2014/2015	2013/2014
14	Staff Creditors	185,559	125,225
	Student Creditors	11,103,722	7,473,670
	Trade Creditors	26,664,211	17,604,952
	Total	37,953,492	25,203,847
15	Refundable deposits from students		
	Caution Money	32,840	108,247
	Student Medical	218,130	760,883
	Total	250,970	869,130
16	Deferred Income		
	Tuition fee	4,902,367	3,807,332
	Accommodation fee	2,829,147	2,978,500
	Total	7,731,513	6,785,832

17A. PROPERTY PLANT AND EQUIPMENT

Cost	LAND	BUILDINGS	MOTOR VEHICLES	FURNITURE & FITTINGS	PLANT & EQUIPMENT	COMPUTERS	TOTAL
		Kes	Kes	Kes	Kes	Kes	Kes
As at 1st July 2014	1,044,642,000	485,738,475	17,700,000	8,615,997	37,740,179	9,117,010	1,603,553,661
Revaluation	-	-	-	-	-	-	-
Additions	-	-	-	959,400	4,324,740	1,070,050	6,354,190
Disposals	-	-	-	-	-	-	-
As at 30th June 2015	1,044,642,000	485,738,475	17,700,000	9,575,397	42,064,919	10,187,060	1,609,907,851
		DEPRECIATION					
Depreciation As as at 1st July 2014	-	9,714,770	3,540,000	861,600	4,717,522	2,735,103	21,568,995
Charge for the year	-	9,714,770	3,540,000	957,540	5,258,115	3,056,118	22,526,542
As at 30th June 2015	-	19,429,540	7,080,000	1,819,140	9,975,637	5,791,221	44,095,537
Net Book Value As at 30th June 2014	1,044,642,000	476,023,705	14,160,000	7,754,397	33,022,657	6,381,907	1,581,984,666
As at 30th June 2015	1,044,642,000	466,308,936	10,620,000	7,756,257	32,089,283	4,395,839	1,565,812,314
Rates	Nil	2%	20%	10%	12.5%	30%	

17B

Intangible Assets		
COST	SOFTWARE	
	2014/2015	2013/2014
As at 1st July 2014	9,276,740	9,276,740
Additions		
Disposals		
As at 30th June 2015	9,276,740	9,276,740
Amortization		
As at 1st July 2014	5,566,044	4,353,222
Charge for the year	1,855,348	1,855,348
As at 30th June 2015	7,421,392	6,208,570
Net Book Value		
As at 30th June 2014	3,710,696	4,923,518
As at 30th June 2015	1,855,348	3,068,170
Rates	20%	

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17C: The Construction Work in Progress of 126,489,250.00 is in respect of Water Resource Centre which is estimated to cost sh. 267 Million and is expected to be completed by April 2016.

18. Board Expenses

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

19. Comparatives

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

20. Capital commitments

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

COMMITMENTS

a) Construction of Water Resource Centre	141,000,000
b) Expansion in Campuses	120,000,000
Total	260,000,000

21. Currency

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

22. Taxation:

The Institute major source of income comprises of government grants. The Institute is exempted from paying taxes as per the statutory requirement with other organizations.

23. Government Grants:

The government grants are recognized when realized and spread throughout the financial year. Grants constitute 75.3% of the Institutes revenue.

24. Leave Pay:

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

25. Contingent liabilities:

The former Director Eng Mwalimu Musau has taken the Institute to court claiming damages of approximately 39 Million for wrongful termination of employment. The case is pending determination in High court of Kenya.

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26. 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.

27. Casting Error on Intangible Assets:

There was a casting error which overstated the value of accumulated amortization by Ksh. 642,526. This has been corrected as follows;

Description	Prior Figures	Adjustment	Corrected Figures
As at 1st July 2014	9,276,740		9,276,740
Additions			
Disposals			
As at 30th June 2015	9,276,740		9,276,740
Amortization			
As at 1st July 2014	6,208,570	(642,526)	5,566,044
Charge for the year	1,855,348		1,855,348
As at 30th June 2015	8,063,918	(642,526)	7,421,392
Net Book Value			
As at 30th June 2014	3,068,170		3,710,696
As at 30th June 2015	1,212,822	642,526	1,855,348

28. The Variance in the Budget:

- i) The adjustment in the budget of 20 Million is due to a grant from the Ministry of Environment, Water and Natural resources, to buy ICT Equipment.
- ii) The variance in employee cost is because the allocation is not sufficient. There are many establishments that are not filled, hence resorting to part-time lecturers.
- iii) The expenditure on utilities such as electricity is expected to increase due to the planned expansion program.
- iv) A detailed Explanation for the Material Variances in the Statement of Comparison of Budget and Actual Amounts is given below;

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v)

S/NO	ITEM	VARIANCE	REMARKS
1	Domestic travel costs, accommodation & DSA	9,303,838	<p>In the period under review there were a number of activities which were not planned for at the time of the budget but they became extremely necessary for the operation of the Institute:-</p> <p>a) The newly inaugurated Governing Council had to be inducted to the campuses before they started working. They were also taken for governance training that consumed a lot on this vote since they were to be accompanied by the senior management.</p> <p>b) The new Governing Council wanted to inherit the Management of the Institute from a position of knowledge since there had been no Council for close to 2 years. The Parent Ministry's internal auditors were invited to undertake this exercise and the travelled to all the campuses</p> <p>c) Various urgent issues at the campuses dealing with students, staff etc also contributed to various officers travelling outside their working stations</p> <p>d) At the time of the budget preparation the Management wanted the 2015-2020 strategic plans to be prepared internally. When the new Board came in it was found necessary to outsource this activity from Kenya school of Government. Workshops were conducted outside the Institutes the consultants cited lack of concentration when workshops were conducted within the Institute</p> <p>e) During the period under review the new Governing Council identified various human resource gaps in the Institute that required urgent attention. The services of directorate of public service management were procured to address this issue. They sought for information from campuses and went for retreats to generate the report</p> <p>f) During the year under review the Salaries</p>

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			<p>& Remunerations Commission (SRC) increased the domestic allowances(DSA) for officers working outside their stations</p> <p>All these factors contributed to the gross variance on this budget item.</p>
2	Subscription to newspapers	175,000,00	The students complained on the few and lack of variety of newspapers available in the Libraries. The management increased the number and brought in other newspapers from other media houses
3	Pre- Feasibility	5,907853	
4	Refined Fuels	3,403,829	<p>The increased local travels as explained in 1 resulted into more usage of the Institutes ' vehicles</p> <p>Most of the Institutes' vehicles are old and therefore the fuel consumption level is also high</p> <p>Due to the general downward trend in petroleum products in the year 2013/14, the management expected a further downward trend in refined fuel. This was not to be in the tear under review</p>
5	Electricity	2,654,341	<p>At the time of budget it was envisioned that the Kitui campus would have fully moved to the institute's compound from the rented Syongilla site. Due to lack tuition facilities part of the classes and administrative duties are undertaken in Syongilla. The electricity and other utilities running costs in the two sites explain part of the variance</p> <p>Due to the general downward trend in petroleum products in the year 2013/14, the management expected a further downward trend in electricity. This was not to be in the tear under review</p>
6	advertising	2,517815	<p>The Management noted that in the recent past very few apply to join the Institute. One of the major reasons was lack of aggressive advertisement plan and participation in water stakeholder's activities.</p> <p>The management deliberately increase on this to get more students and raise more revenue to bridge the gap of increasing expenditure against reducing Government</p>

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			grant
7	Membership Fees & Dues	2,068,954	This was occasioned by a statutory requirement that the Institute was to pay Kes training levy few for its entire academic staff. This had not been done since 2010 due to the budgetary constraints. An arrears of Kes 1,787,940 and annual subscription of Kes 226,000 was paid in the year
8	Gas Expenses	1,739,023	<ul style="list-style-type: none"> a) in 2013/14 it was envisaged that the prices of cooking gases was to reduce b) The kitchen equipment using the cooking gas are out dated and became extremely inefficient in the period under review.
9	Foreign Travel costs	1,701,693	The Danida offered some training programmes to the staff in Ghana, Netherlands and Denmark. The institute was expected to pay travel expenses and quota per diem for its staff
10	Medical Insurance	1,511,105	The outpatient expenses which was to be managed by the insurance firm on behalf of the institute experience an unexpected cases of staff and their families falling ill with two cases of accident that increased this expenditure
11	Water & connections	1,017,012	There was under budget in this area and the management has taken note of this
12	Laboratory Materials & Supplies	1,017,012	Due to change in the curriculum to more practical based one has identified during the recent market survey, there was need to use more of these to train our students
13	Audit fees	581,602	The payment was occasioned by settlement audit fees outstanding in the previous period
14	Graduation Fees	536,359	This item was omitted in the budget and it is very important activity in the calendar of the Institute. The management decided to introduce it when the graduation was due
15	internet connections	267,599	The rates changed when the service provider was changed. The previous one was unable to meet the expectation of the institute
16	Catering expense	237,754	This item is meant to serve other participants in the institute other than the regular students. The increased number of activities during this period required that management provide

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			catering services for the participants
17	Legal fees	230,000	The institute was not expecting any legal suit in the year under review. However, the case where the previous Director sued the previous chairman and the institute continued and the payment was made to messr Odhiambo & Advocates being the lawyers of the previous chair
18	Motor vehicle insurance	100,082	
19	Education & library supplies	89,603	There were some books which were
20	Payment of rents and rates	58,000	This was occasioned by an increase in rates from the Nairobi County Government
21	Research Expense	9,030,650	In the year the management expected the Governing Council to have been in place to employ the officers in Research departments to undertake Research activities. In the absence of this most of the research activities are still at proposal stage
22	Capacity Building	5,407,836	Currently the institute is experiencing a deficit of 200 vacancies in the staff establishment. With the available few officers, all that was earmarked for s Capacity building could not attend the programme
23	Group Personal Assurance	1,468,596	
24	General Office Supplies		The institute employed a 'paperless environment' that saved on the photocopying papers
25	Food And Rations	1,210,299	The management employed strict procurement processes and distribution methods. General food prices were lower than expected
26	Training Expenses	1,188,480	As explained in capacity building
27	Publishing & Printing	771,181	Only items which were extremely essential under this category were procured because of the budgetary challenges the Institute experienced before the end of the financial year
28	Telephone Expense	557,766	When the management realized that they were constrained in other areas, austerity measures were applied and consequently air time provision for certain staff was done away with

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29	Fungicides	340,385	The vendor who was competitively identified offered a lower charges than anticipated
30	Trade Shows	239,435	This was reduced by the management to address shortfall in other more necessary items
31	Purchase Of Staff Uniforms	200,000	This was reduced by the management to address shortfall in other more necessary items
32	Purchase Of Beddings	200,000	This was reduced by the management to address shortfall in other more necessary items
33	Purchase Of Workshop Tools	177,972	This was reduced by the management to address shortfall in other more necessary items
34	Supplies & Accessories		
35	Sanitary & Cleaning Materials	133,496	The supplier who was pre qualified supplied at lower prices. this caused the variance
36	Plant, Equipment & Machinery Insurance	120,776	It was envisaged that the rotary Rig was to be acquired in the period. however the procurement processes made this not to happen
37	Postal & Courier	99,980	Because of the increased activities as explained in the domestic travels most of the documents were taken by the institutes vehicles

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk Management

The institute is exposed to various risks in course of executing its mandate which include liquidity risk, credit risk and market risk. 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.

(a) Liquidity risk

Liquidity risk is current or prospective risk 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

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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.

To mitigate this risk,

- i. The Institute has ensured that all revenues and government grants are timely collected and disbursed, through the finance function
- ii. There is a good working capital management where all payables are known and planned for safe 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
- iii. For all trainings and consultancies, the customer pays deposits of 50% before the commencement of the assignment, while students pay their two thirds of their fees before admission
- iv. There Fidelity guarantee of officers handling cash and insurance of cash in the office and in transit

(b)Credit Risk

Credit risk is the risk of financial loss to the Institute, 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
- ii. Amounts due from customers' and government grants
- iii. Imprest accounting

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. Ensuring compliance with regulatory and statutory requirements
- ii. Establishing approval to granting credit to students and customers

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- iii. Reviewing and assessing risk. The Institute's Audit and risk Committee assesses all credit exposures in excess of designated limits, prior to services being granted to customers

(c) Market Risks

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates will affect the Institute's revenue or unfavourable foreign exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The rapidly growing in number of tertiary institutions can affect the numbers of students enrolling, thus affecting the revenue generated.

To mitigate market risks, the Institute has put the following measures

- i. The institute is opening campuses in other counties and offering other courses subsidiary to the core water courses to stay competitive. Currently there are four Campuses in Nairobi, Kisumu, Kitui and Tharaka Nithi County
- ii. The Institute enters into annual contracts with vendors to caution against price increase due to inflation, among other factors
- iii. Most of the transaction are in local currency, and for foreign currency transaction, we negotiate for the best forex rate with our bankers

30. PROGRESS REPORTS ON AUDITORS RECOMMENDATIONS

No.	Issue	status	Way Forward
1	Ownership and Accuracy of the financial statements	The Institute has acquired title deed for its Kisumu campus and has registered with the Ministry of Lands to acquire other titles for other campuses The fixed assets' register is now in place	Still to acquire titles for other campuses
2	Cash and Cash Balances	In spite of the human resource challenges the management has instituted measures to ensure that bank reconciliation is carried out. Bank reconciliation for the period is up to date.	To follow up the issue as number of staff still a challenge