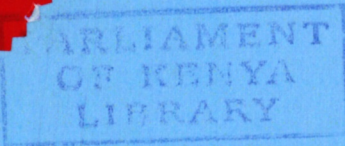
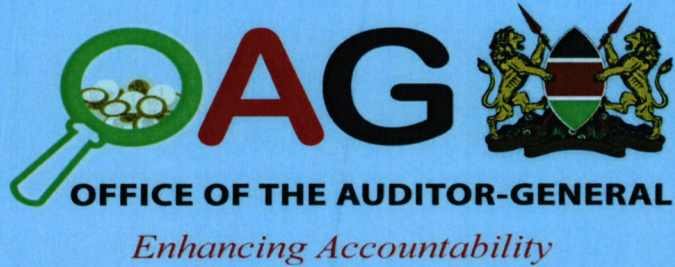


REPUBLIC OF KENYA



REPORT

OF


THE AUDITOR-GENERAL

ON

RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY

FOR THE YEAR ENDED

30 JUNE, 2019

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 07 OCT 2021	
DAY: THURSDAY	
TABLED BY:	LOM
CLERK-AT THE-TABLE:	Benson Inzaji



- 7 FEB 2020

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RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY

ANNUAL REPORT AND FINANCIAL STATEMENTS

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



Itare Dam Water Supply Project status

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

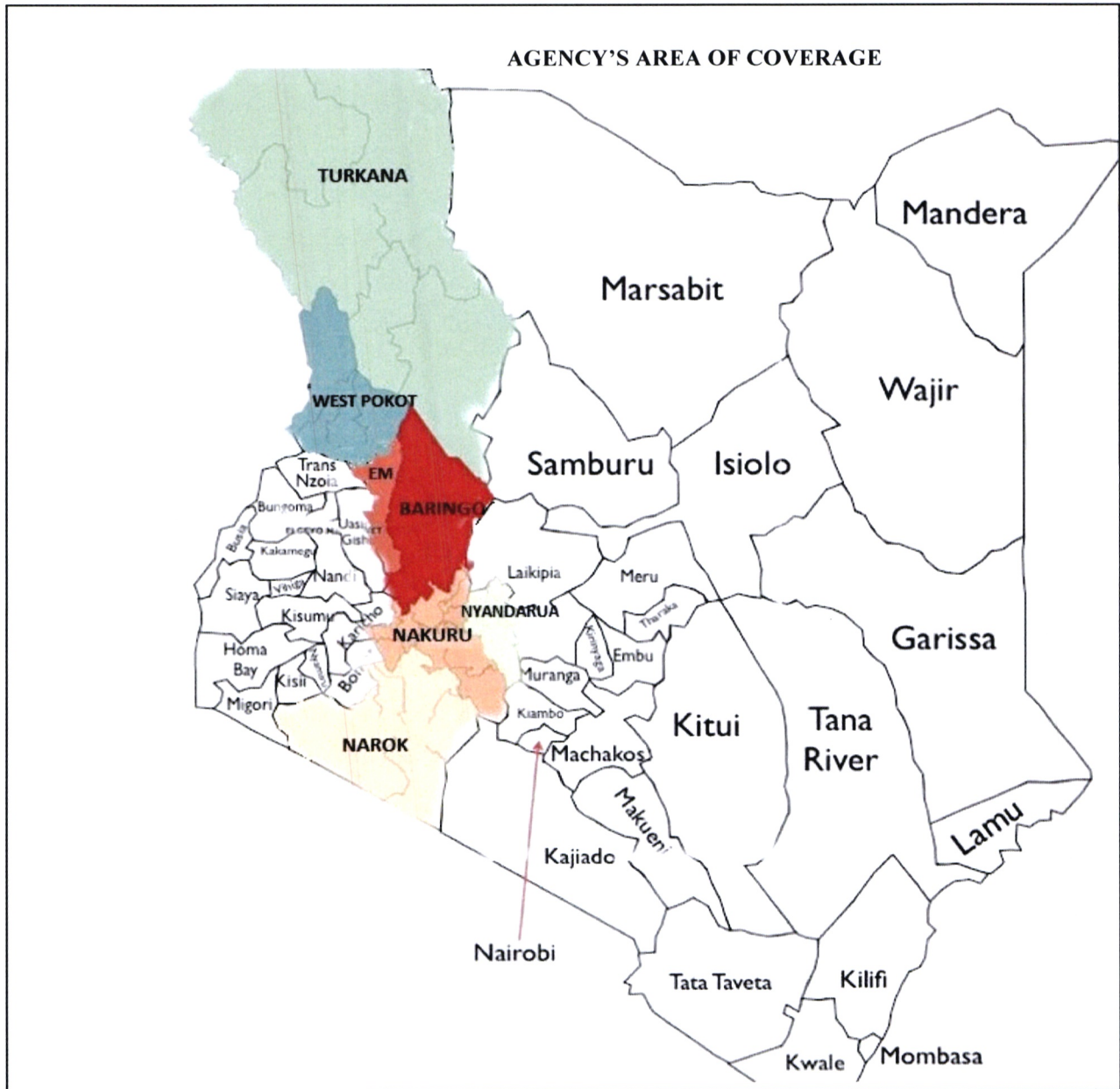




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I. KEY ENTITY INFORMATION

a) Background information

The Rift Valley Water Works Development Agency (RVWDA) is a body corporate established under the Water Act, 2016 to replace the Rift Valley Water Services Board established under the Water Act, 2002. The Agency is to be responsible for development, maintenance and management of national public water works within its area of jurisdiction. The Agency was established through the Kenya Gazette Notice No. 28 of 26th April, 2019 and is domiciled in Kenya. Its area of jurisdiction covers seven (7) Counties namely Turkana, West Pokot, Elgeyo Marakwet, Baringo, Nyandarua, Nakuru and Narok.

The Agency is required to keep proper books of accounts of its income, expenditure, assets and liabilities. Further, it is required that accounts of the Agency shall be audited and reported in accordance with the Public Finance Management Act, 2012. This report is therefore made pursuant to the Public Finance Management Act, 2012 for the year ended 30th June 2019.

b) Principal Activities

The Agency develops and manages water services infrastructure and provides technical support to the County Governments in its area of jurisdiction and to the Cabinet Secretary in charge of water services. The Agency hands the completed water services infrastructure over to designated Water Services Providers for operating and day to day managing of water supply and sanitation services.

c) Key Management

The Agency is governed at policy level by a Board of Directors drawn from various Government Ministries and private sector representing a wide cross section of stakeholders within the Agency's area with a mix of skills, age, qualifications, gender and experience. A representative from Inspectorate of State Corporations also attends the meetings for advisory purposes. The day to day management is carried out by a management team headed by the Chief Executive Officer.

d) Fiduciary Management

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

- | | |
|--------------------------|--------------------------------------|
| 1. Eng. Hosea K. Wendot | Chief Executive Officer |
| 2. CPA Douglas M. Kaibos | General Manager - Corporate Services |
| 3. Eng. Samuel K. Oruma | General Manager – Technical Services |



4. Ms Caren C Lagat Legal Services Manager
5. Mr William R Sakuda Supplies Chain Manager

e) Fiduciary Oversight Arrangements

To ensure the efficient running of the Agency's operations, the Board of Directors have established Committees to meet and make recommendations to the Board who are mandated to provide policy direction for the entity on issues delegated to them. Each Committee has a Charter to guide its operations.

f) Registered Office and Contact Address

Maji Plaza
Prisons Road, Off Nakuru-Eldama Ravine Highway
P O Box 2451-20100,
Nakuru

Telephone: (254) 51 2213 557
 (254) 71 8313 557
E-mail: info@rvwsb.go.ke
Website: www.rvwsb.go.ke

g) Bankers

Kenya Commercial Bank
Kenyatta Avenue Branch,
P O Box 18-20100
Nakuru

h) Independent Auditors

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

i) Principal Legal Adviser

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






II. THE BOARD OF DIRECTORS

Director's passport-size photo and name, and key profession/academic qualifications	A concise description of each Director. The date of birth, key qualifications and work experience, Indicating whether the director is independent or an executive director and which committee of the Board the director chairs where applicable.
<p>1.</p>  <p>Hon. Asman A. Kamama, MGH,OGW BA International Relations & Diplomacy Diploma in Agricultural Education Minister of state –Public Service Assistant Minister & Chairman National Security Committee of Parliament</p>	<ul style="list-style-type: none"> ➤ Born 1965 ➤ Non-executive Chairman of the Agency ➤ Appointed 8th February, 2019
<p>2.</p>  <p>Ms Franciscar Kamuren MA Linguistics BED Arts</p>	<ul style="list-style-type: none"> ➤ Born 1974 ➤ Independent Director ➤ Chair Corporate Services Committee ➤ Appointed 8th February, 2019
<p>3.</p>  <p>Eng. Philip Gichuki MSC Soil & Water Engineering BSC Civil Engineering Registered Member of Institute of Engineers of Kenya.</p>	<ul style="list-style-type: none"> ➤ Born 1966 ➤ Independent Director ➤ Chair Technical Services Committee ➤ Appointed 8th February, 2019






<p>4.</p>  <p>Hon. Mathenge Nderitu Bachelor of Construction Management</p>	<ul style="list-style-type: none">➤ Born 1961➤ Independent Director➤ Chair Audit & Risk Management Committee➤ Appointed 8th February, 2019
<p>5.</p>  <p>Hon. Julius Murgor MA Religion and Philosophy BA Religion</p>	<ul style="list-style-type: none">➤ Born 1957➤ Independent Director➤ Appointed 8th February, 2019
<p>6.</p>  <p>Mrs Lorna T. Nkouwa Business Lady</p>	<ul style="list-style-type: none">➤ Born 1959➤ Independent Director➤ Appointed 8th February, 2019
<p>7</p>  <p>Mr. Barrack Amollo Bachelor of Arts in Economist & Management</p>	<ul style="list-style-type: none">➤ Born 1955➤ Alternate to the CS/The National Treasury➤ Over 35 years career in public service➤ Currently Deputy Secretary – The National Treasury



<p>8</p>  <p>Mr Isaac Kimani Bachelor of Science in Hydrogeology</p>	<ul style="list-style-type: none">➤ Born 1962➤ Alternate to the CS/Ministry of Water & Sanitation and Irrigation➤ Natural Resource conservationist➤ Over 30 years career in public service➤ Currently serving as deputy Director- Ministry of Water & Sanitation and Irrigation
<p>9</p>  <p>Mr Peter N. Mwangi MBA BED (Double Business)</p>	<ul style="list-style-type: none">➤ Born 1963➤ Representative from Inspectorate of State Corporation➤ Currently serving as deputy Inspector General.➤ Over 30 years career in public service
<p>10</p>  <p>Eng. Hosea K. Wendot Bachelors Engineering-Civil MSc. Hydraulic Engineering</p>	<ul style="list-style-type: none">➤ Born 1971➤ Experienced in engineering and management.➤ Chief Executive Officer & Secretary to the Board.



III. MANAGEMENT TEAM

key manager's passport-size photo, and profession/academic qualifications	The main area of responsibility
<p>1</p>  <p>Eng. Hosea K. Wendot MSc. Hydraulic Engineering BSc Civil Engineering</p>	<p>➤ Chief Executive Officer</p>
<p>2</p>  <p>Eng. Samuel K. Oruma MSc. Integrated Water Resource and Watershed Management Bsc. Civil Engineering Advanced Diploma in Planning and Development Projects</p> <p>Management of</p>	<p>➤ General Manager – Technical Services</p>
<p>3</p>  <p>CPA Douglas M. Kaibos MSc. (Project Planning & Management) Bachelor of Business Administration (Finance Option) Registered Member-ICPAK</p>	<p>➤ General Manager – Corporate Services</p>



4  Ms Caren C. Lagat Bachelor of Laws (LLB) Diploma in Law Registered member LSK Advocate of the High Court	➤ Legal Services Manager
5  Mr William R. Sakuda Bachelor of Science MBA CPA Diploma in Purchasing & Supplies Registered member-KISM	➤ Supplies Chain Manager



IV. CHAIRMAN'S STATEMENT

It is my pleasure to present the Annual Report and Financial Statements of the Rift Valley Water Works Development Agency for the financial year ended 30th June, 2019.

The organization has continued to implement its mandate to contribute to the achievement of the Water Sector objectives in its area of jurisdiction. This is geared towards the achievement of the Kenya Vision 2030 and the United Nations Sustainable Development Goals Agenda through development and management of the water and sanitation services infrastructure.

The Constitution of Kenya recognizes access to water as a basic Human Right to all citizens. The Agency is aware that this presents a challenge to all players in the sector to effectively respond and play their roles.

In this regard, the Agency has ensured that all its strategies are linked to Kenya Government's priorities as outlined in the Vision 2030, Medium Term Plans, the annual approved budget, the Sector Performance Standards and other National policy documents.

In addition the Agency undertook several Corporate Social Responsibility initiatives, in social welfare, environment conservation, education, sports and towards building capacity.

The Agency in collaboration with the Ministry of Water & Sanitation and Irrigation, Development Partners and other Stakeholders have implemented various projects across its expansive area of 124 KM² most of which is arid and semi-arid lands (ASAL). Efforts to provide portable water in these areas is a costly undertaking and requires increased budgetary allocations to ensure water coverage targets are met by all sector players.

Hon. Kamama A. Asman, MGH, OGW

Chairman

Date:

27/01/2020



V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Water Act, 2016 in section 68 provides the functions of the Agency as follows:

1. Undertake development, maintenance and management of National Public Water Works;
2. Hand over the water works to designated Water Services Providers for operation and management;
3. Provide water services when ordered by the Regulatory Board (Reserve Capacity of the National Government on Water Services Provision);
4. Provide technical and capacity building services to County Governments and Water Services Providers upon request; and
5. Provide technical support to the Cabinet Secretary.

In order to perform its mandate, the Agency developed a three year interim Strategic Plan to enable smooth transition from the Water Act, 2002 to Water Act, 2016. It aims at attaining the Sustainable Development Goals for the Water and Sanitation Sub-Sector through implementation of the Vision 2030 Water Projects and other Government priority projects.

The Strategic Plan also sets out a framework to ensure a seamless handing over of water services provision to the respective County Governments.

The Agency's Strategic Plan has set five (5) strategic objectives as follows:

1. To plan for development of water infrastructure;
2. To enhance the Agency's financial resource base to ensure operational sustainability;
3. To increase access to adequate & safe water and efficient sanitation services through development of water infrastructure;
4. To transfer and build the capacity of County Governments in the Agency's area of jurisdiction for efficient management of water and sanitation services; and
5. To enhance the Agency's institutional capacity for effective corporate performance.

This report is therefore based on the above strategic objectives and illustrates the achievements of the Agency during the year ended 30th June 2019.



A Financial Statements

During the year under review, the recorded total income is Kshs. 1.32 Billion as compared to Kshs 624.64 Million previous year. Expenditure for the period under review was Kshs 630.10 Million, as compares with Kshs 634.8 Million previous year. The Agency's Assets base grew by 20% from Ksh 6.51 Billion to Kshs 7.82 Billion.

B Quality Management Systems

The Agency is in the process of transiting from ISO 9001:2008 to ISO 9001:2015 Standard.

C Staff Competency Development

During year under review several trainings were carried out in various competencies; professional staffs were facilitated to attend professional seminars and workshops to enhance their career development. Some of the seminars attended are those for engineering, accounting, supplies chain management, human resources, team building, cross cutting issues workshop.

The agency engaged the department of personnel management to develop its staffing levels and to review the organization structure and career progression guidelines.

D Performance contracting

During year under review, the Agency signed the 15th cycle Performance Contract and implemented the targets which were set out on financial stewardship and discipline, service delivery, core mandate, implementation of Presidential directives, access to Government procurement opportunities (AGPO), promotion of local content in procurement and cross cutting issues. The Agency accomplished all the activities leading to the achievement of the set targets.

E Projects being implemented

1 Itare Dam Water Project

This is one of the flagship projects identified and prioritised by the Government of Kenya under the Kenya's Vision 2030 for Nakuru and parts of Kericho County. The estimated project cost is Kshs. 34 Billion. It is funded by the Government of Kenya through Italian funding agency.

The project will supply 100,000m³ of water per day by gravity to serve over 1,000,000 people in Nakuru town and three small towns in Kericho County along the pipeline route. The project components include construction of a dam, water treatment plant, pipeline, bulk transfer tunnel and storage tanks in and around Nakuru town.



The contractor suspended works in September, 2018 alleging delayed payment. They did not resume work as they were experiencing what they called ‘financial constraints’ back in Italy. This issue has since been taken up with the highest authorities and various options being worked out in liaison with the National Treasury, the Ministry of Water & Sanitation and Irrigation and the lending agencies to ensure no escalation of costs in implementation. It is expected that works will resume soon. The overall progress remained at 27%.

2 Sabor-Iten Tambach Water Project Phase I & Phase II

The Phase I of the project is a gravity water supply system for Iten and Tambach towns. The components included an intake, raw water gravity main, treatment plant with capacity of 4,200 M³ /day and serves 50,000 people. A funding agreement was signed between the Belgium and Kenyan Government for implementation. The estimated cost is Kshs. 1.8 Billion.

The Phase II component comprised of extension of the water supply system from Iten Town to Tambach at a cost of Kshs. 300 Million and renewal of the water distribution system in Nakuru town, at a cost of Kshs. 700 Million. This project was completed and is in defect liability period.

3 Chemususu Dam Water Distribution Project

Chemususu Dam Water Distribution Project is one of the medium dams proposed under Kenya’s Vision 2030 and the Big four Agenda in Baringo and Nakuru Counties. It is located 80 KM North West of Nakuru town and about 15 KM west of Eldama Ravine of Baringo. This is a Government of Kenya wholly funded project. The dam was constructed by National Water Conservation & Pipeline Corporation. It is a 48M high rock fill dam with a capacity of 12 Million M³.

The implementation of the distribution network is carried out by the Rift Valley Water Works Development Agency and is estimated to cost KShs 3 Billion. The scope of works includes; raw water main, treatment works, treated water gravity mains, distribution system mains and storage reservoirs. Other components include; supply of operation and maintenance equipment and rehabilitation of existing Chemususu water supply treatment. It will serve more than 300,000 people and their livestock in E/Ravine and Mogotio Sub Counties of Baringo County and parts of Rongai Sub County of Nakuru County. The project implementation is at 54%.



4 Kirandich Phase II Water Project

This project is being implemented with a loan amounting to Ksh 1.80 Billion from the Government of Italy. The project components include expansion of water supply to Kabarnet town, construction of a sewerage system and generation of hydro-electric power to reduce electricity expenses in the running of the scheme. The implementation of the project commenced in December 2018. Contractor mobilized to site, setting up of camp site. Overall completion rate of 8.5% was achieved during the period under review.

5 Water Supply and Sanitation Improvement Project (WaSSIP)

The project is being implemented with funds from World Bank through Lake Victoria North Water Works Development Agency. The objective of the project is to mitigate the effects of drought in the counties of Turkana, Baringo, West Pokot and Narok. The project is estimated to cost a total of Kshs. 800 Million. Phase I completed and works under phase II commenced and are ongoing. The programme was extended up to December 2019 due to the complexities encountered during implementation. Completion rate stood at 94%.

6 Rural Water Supply Borehole Project Baringo County

The projects objective is drilling and equipping seventy (70) boreholes in four (4) Sub Counties of Baringo County. The project is funded by Japan International Corporation Agency (*JICA*) and the Government of Kenya. The works is estimated to cost of KShs.1 Billion. Seventy (70) boreholes were equipped and completed. Thirty (30) boreholes drilled and Civil works for fourteen (14) commenced and is ongoing.

7 Kenya Towns Sustainable Water Supply and Sanitation Program

These projects are funded by African Development Bank (AfDB) with an estimated cost of Ksh 1.36 Billion. The programme is to improve management of Water Supply and Sewerage Services various urban centres in Kenya. The projects comprise of construction of sewerage systems in Narok town of Narok County, Ol'kalou town of Nyandarua County, Kapenguria and Chepararia of West Pokot County, Eldama Ravine of Baringo County and a Multi -purpose dam project in Beregei and Amaya of Baringo County. The Projects under this Programme include water supply projects and sewerage projects in the RVWWDA, Lake Victoria North Water Works Development Agency (LVNWWDA) and Lake Victoria South Water Works Development Agency (LVSWB) areas of jurisdiction and the RVWWDA is the implementing agency.



During the year under review, Narok town sewerage project is at 5% complete, Kapenguria/chepararia sewerage project the design report and tender documents are complete, olkalau town sewerage project the detailed designs and tender documents are complete, the Amaya and Bergei multipurpose dams the feasibility studies are complete and detailed geological investigations are ongoing. The feasibility study for Eldama Ravine sewerage project is complete while detailed design is ongoing. Kabarnet and Narok last mile connectivity design of works is ongoing. The Programme implementation is at 35%.

8 Naivasha Industrial Park Water Supply Project Implemented

The Agency engaged with the Ministry of Industrialization, which spearheaded the industrial park development for identification of locations and sites for the borehole has been by the Agency.

The project involves the supply of sufficient water to the industrial park to meet the water demand at park to support the Big Four plan of the Government. The project has two components;

a) Short term intervention

Water supply from 25 Boreholes to be drilled in Naivasha and Narok areas. During the year under review investigations and feasibility studies were completed in the 25 sites. Drilling of Six (6) boreholes finalized and procurement for civil works commenced.

b) Long term intervention

Malewa Multi-Purpose Dam and 20,000m³/day Water Supply. This project is being undertaken under the Kenya climate Resilience Project at the Ministry Headquarter. The status is that the project is at the final feasibility study.

F Projects under Planning and Design

Lake Nakuru Biodiversity Conservation Project

This project involves improvement of waste water management, solid waste management and drainage in Nakuru town to conserve the biodiversity of the Lake Nakuru ecosystem. The project is funded by KfW a German Agency and is estimated to cost for feasibility study is Ksh 100 Million. During the period under review the Feasibility Studies and the appraisal of the project were completed. The project was approved for construction and the funding negotiations commenced.

G Projects funded under emergency interventions

The Agency is implementing several small rural water supply projects under the Equalization program, Drought Mitigation program, Public Priority projects, other Strategic Initiative water supply projects, Small Pans and Dams programme and Water for Schools programme. These are



expected to boost supply in the rural areas. These projects include borehole development, rehabilitation of water supplies and associated storage works, laying of new pipelines and construction of small dams in strategic areas and rain water harvesting. Most of the projects commenced and stands at various stages of completion.

H Engagement with the Counties

The provision of water services is a devolved function of the County Governments and it became necessary to harmonize the Agency's water activities with those of the Counties. In addition to participating in the Water Sector Transition and Reforms – Consensus Building Forums with the Counties organized by the Ministry of Water & Sanitation and Irrigation. The Agency has engaged the Counties to capacity build them in the area of management of water service provision including monitoring and developing management tools to be used, constituting of Water Service Providers boards and recruitment of its directors, and preparation and monitoring of Service Provision Agreements (SPA) with WSPs and other governance issues.

The Agency has remained on course in its strategy to develop and enhance water supply and sanitation infrastructure in its area of jurisdiction.

The Board of Directors provided effective policy direction and was at hand to work with management while implementing policies into water and sanitation infrastructure decisions. The success achieved in realizing completed, ongoing and planned projects has also been due to the collaboration between the Agency's staff and its stakeholders.

The compounded efforts enabled us overcome surmountable challenges that came our way during the year.

We remain committed to our mission **'To plan, develop and deliver efficient and dependable water infrastructure'**

My appreciation to our partners, stakeholders, the Board of directors and members of staff for the efforts put in throughout the year and let us continue to pull together to ensure every Kenyan the right to sustainable Water and Sanitation Services.

Eng. Hosea K. Wendot

Chief Executive Officer

Date 20th January 2020



VI. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Rift Valley Water Works Development Agency are appointed by the Cabinet Secretary, Ministry of Water & Sanitation and Irrigation from time to time for a term specified by regulations. They are drawn from some Government Ministries and private sector representing a wide cross section of stakeholders within the Agency's area with a mix of skills, age, qualifications, gender and experience.

They are given the responsibility of enhancing corporate governance practices to bring the level of governance in line with International Standards. The essence of good corporate governance practice is to promote and protect stakeholders' interests. These includes the Government, Water Works Development Agencies, the Regulatory Board, other Statutory Institutions, Water Services Providers, Development Partners, Communities and Water Consumers.

They exercise leadership, enterprise, integrity and judgment in directing the Board and acts in its best interest in a transparent, accountable and responsible way. The Agency is governed at policy level by a 6 (six) member Board of Directors, drawn from a cross-section of Stakeholders and 2 (two) number from the Government Departments of the National Treasury and the Parent Ministry of Water & Sanitation and Irrigation. A representative from Inspectorate of State Corporations attends the meetings for advisory purposes.

Board Committees

To ensure the efficient running of the Agency's operations, the Board has established three standing Committees which meet and make recommendations to the Board on issues delegated to them. Each Committee has a Charter to guide its operations.

During the year under review the Board had the following Committees in place:

1. Corporate Services Committee
2. Technical Services Committee
3. Audit and Risk Management Committee

In order to ensure that the Board's expenditure on meetings is within the approved budget, a calendar of the Board meetings is adhered to.



Conflict of interest is an agenda item in all Board meetings and a register is maintained for record purposes.

The Board of Directors are paid sitting allowance for every meeting attended as well as accommodation allowance while on Agency's duty as per Government guidelines. The Chairman is also paid a monthly honorarium.

The Board of Directors were appointed in February 2019 and have been inducted, attended Mwongozo code of conduct training to adequately prepare them for the task ahead.

Hon. Kamama A. Asman, MGH, OGW

Chairman

Date: 27/01/2020



VII. MANAGEMENT DISCUSSION AND ANALYSIS

A Financial Statements

During the year under review, the recorded total income is Kshs. 1.32 Billion as compared to Kshs 624.64 Million previous year. Expenditure for the period under review was Kshs 630.10 Million, as compares with Kshs 634.8 Million previous year the Agency's Assets base grew by 20% from Ksh 6.51 Billion to Kshs 7.82 Billion

B Quality Management Systems

The Agency is in the process of transiting from ISO 9001:2008 to ISO 9001:2015 Standard.

C Staff Competency Development

During period under review several trainings were carried out in various competencies; professional staffs were facilitated to attend seminars and workshops relevant to their professions to enhance their career development. Some of the seminars attended are those for engineering, accounting, supplies chain management, human resources, team building, cross cutting issues workshop. The agency engaged the department of personnel management to develop its staffing levels and to review the organization structure and career progression guidelines.

D Performance contracting

During period under review, the Agency implemented the targets which were set out on the performance contract. The Agency accomplished all the activities leading to the achievement of the targets.

E Projects being implemented

1 Itare Dam Water Project

During the period under review, overall completion rate is at 27%. Works were suspended since September 2018.

2 Sabor-Iten Tambach Water Project Phase I & Phase II

During the period under review, the project was in defect liability period.

3 Chemususu Dam Water Distribution Project

During the period under review, the project implementation was done to 54%.



4 Kirandich Phase II Water Project

The contractor mobilized to site and commenced the set up of a camp and the locating of the project components. Overall completion rate of 8.5% was achieved during the period under review.

5 Water Supply and Sanitation Improvement Project (WaSSIP)

Kapindaram phase II, Suswa, and Kapenguria

The project benefits Kapindaram, Kapnosgei, Kamasai, Suswa, Kapenguria and Makutano. During period the works are at 94% completed.

6 Rural Water Supply Borehole Project - Baringo County

During period under review, Civil works for fourteen (14) is ongoing.

7 Kenya Towns Sustainable Water Supply and Sanitation Program

The progress attained in the Programme implementation was about 35% during the period under review.

8 Naivasha Industrial Park Water Supply Project Implemented

The project has two components,

a) Short term intervention

The Agency has completed investigations and feasibility studies in the 25 sites and has carried out detailed designs and drilling of Six (6) boreholes was completed and procurement for civil works commenced.

b) Long term intervention

Malewa Multi-Purpose dam and 20,000M³/day water supply. This project is being undertaken under the Kenya climate Resilience Project at the Ministry Headquarter. The status is that the project is at the final feasibility study.

F Projects under Planning and Design

Lake Nakuru Biodiversity Conservation Project

During the period under review the feasibility Studies and the appraisal of the project were completed and approved construction. The funding negotiations commenced.



G Projects funded under emergency interventions

During the period under review, implementation of most of the projects was ongoing and stands at various stages of completion.

H Engagement with the Counties

During the year under review, the Agency supported Counties in its area of jurisdiction in identifying viable projects and collaborated while implementing projects funded under emergency interventions.



VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABLE REPORTING

Our Commitment

Social and environmental responsibilities plays an important role in our overall business practice, our Corporate Social Responsibility Policy guides all the Agency's Corporate Social Responsibility activities. The Agency takes note of the social and environmental responsibility while at the same time executing towards its mandate.

The activities provide our staff an opportunity to also make a contribution to the society.

The Board of Directors takes the overall responsibility at policy level for the continued development and implementation of appropriate social and environmental policies of the Agency.

During the year under review, the Agency dedicated some of its resources towards supporting several initiatives in social welfare, environment conservation, education, sports and building capacity.

Social welfare

The agency towards assisting our young students, distributed sixty nine boxes of sanitary napkins and aqua tabs (water treatment) across unprivileged rural public schools in Baringo and Nakuru Counties.

Environmental conservation and tree planting

The Agency while protecting its water sources and facilities planted 5,000 tree seedlings across the Agency's area of coverage and thereby contributing to raise the country's protection of the water catchment and forest cover. These events provided an opportunity to hold public forums with the communities and educated them on issues of HIV and drug and substance abuse. It also provided the opportunity to collect data on the Agency's next Corporate Social Responsibility activity.

Sports

The Agency sponsored and participated in the Chemususu Dam Half Marathon and Kirandich Half Marathon. The events were successful and additionally promoting growth and exposure among young people in the field of sports, some members of the Board of Directors and members of staff also participated.



Towards building capacity

With the view of supporting the young people actively engaged in water improvement, the Agency took in over 35 (thirty five) young graduates as interns and students on attachment attached to project engineers in the field and assigned various managers in the office for on the job training. The young participants then may have an opportunity to grow and to gain new ideas to enhance water related issues.

Hon. Kamama A. Asman , MGH, OGW

Chairman

Date

27/01/2020

Eng. Hosea K. Wendot

Chief Executive Officer

Date

27th January, 2020



IX. REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the Agency are:

- 1 Undertake development, maintenance and management of national public water works;
- 2 Hand over the waterworks to designated water services provider for operation and management;
- 3 Provide water services when ordered by the Regulatory Board (Reserve Capacity of the National Government on Water Services Provision);
- 4 Provide technical and capacity building services to County Governments and Water Services Providers upon request; and
- 5 Provide technical support to the Cabinet Secretary.

Results

The results of the Agency for the year ended 30th June, 2019 are set out on pages 25-40

Directors

The members of the Board of Directors who served during the year are as shown on pages 3-5 in accordance to the guidelines. They are appointed by the Cabinet Secretary for the line Ministry.

During the year, the term of two remaining independent board members Ms Diana M. Lukosi and Ms Nancy N. Chole expired in February 2019.

The Cabinet Secretary, Ministry of Water & Sanitation and Irrigation appointed a Chairman and five independent directors for a term of three years

Auditors

The Auditor General is responsible for the statutory audit of the Agency in accordance with the Article 229 of the Constitution of Kenya and the Public Audit Act, 2015.

Eng. Hosea K. Wendot

Chief Executive Officer & Secretary to the Board.

Date 29th January, 2020



X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is required under the Water Act, 2016, the Public Finance Management Act, 2012, and the State Corporations Act to prepare Financial Statements in respect of that Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year and the operating results of the Agency for that year. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

The Board of Directors are responsible for the preparation and presentation of the Agency's Financial Statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the year ended on 30th June 2019. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Agency;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Board of Directors accept responsibility for the Agency's Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012.

The Board of Directors are of the opinion that the Agency's Financial Statements give a true and fair view of the state of Agency's transactions during the year ended 30th June 2019, and of the Agency's financial position as at that date.



The Board of Directors further confirm the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's Financial Statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The Rift Valley Water Works Development Agency's Financial Statements were approved on 25th September 2019 and signed on its behalf by:

Hon. Kamama A. Asman, MGH, OGW
Chairman

Date 27/01/2020

Eng. Hosea K. Wendot
Chief Executive Officer

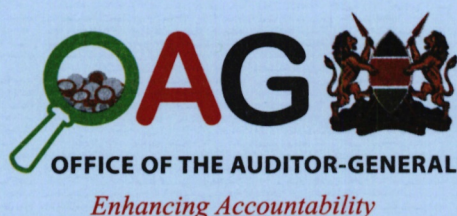
Date 27th January, 2020



**XI. REPORT OF THE INDEPENDENT AUDITORS OF THE RIFT VALLEY WATER
WORKS DEVELOPMENT AGENCY**

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RIFT VALLEY WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Rift Valley Water Works Development Agency set out on pages 26 to 41, which comprise the statement of financial position as at 30 June, 2019, and statement of financial performance, statement of changes in owners funds, cash flows statement and the 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 Rift Valley Water Works Development Agency 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 Water Act, 2016 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inconsistencies Between the Financial Statements Balances and the Notes

The balances reflected in the financial statements prepared and presented for audit were inconsistent with the corresponding Notes to the financial statements as detailed below:-

Item	Balance as Per Financial Statements (Kshs)	Balance as per Notes (Kshs)	Variance (Kshs)
Loans ADF	1,352,212,296	9,800,000	1,342,412,296
Loans Interest ADF	591,151,902	54,289,608	536,862,294

Report of the Auditor-General on Rift Valley Water Works Development Agency for the year ended 30 June, 2019

Item	Balance as Per Financial Statements (Kshs)	Balance as per Notes (Kshs)	Variance (Kshs)
Financing Activities-Loan redemption plus Interests	80,185,651	54,289,608	25,896,044

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be confirmed.

2. Repairs, Maintenance and Support to Water Supplies Schemes

The statement of financial performance reflects an expenditure of Kshs.411,941,496 under repairs, maintenance and support to water supplies schemes. However, expenditure amounting to Kshs.406,799,472 was not supported by schedules of the projects undertaken and the projects implementation status reports as at 30 June, 2019.

Consequently, the accuracy and validity of the reported expenditure on repairs, maintenance and support to water supplies schemes of Kshs.406,799,472 could not be confirmed.

3. African Development Bank Loan

3.1. Discrepancy in Loan Balance-Reported Versus Confirmed

The statement of financial position reflects African Development Bank (ADF) loans balance of Kshs.1,352,212,296;(2018-Kshs.1,362,012,296). However, an independent confirmation of the balance received from The National Treasury reflects balance of Kshs.1,394,729,796 as at 30 June, 2019 resulting to an unexplained and unreconciled variance of Kshs.42,517,500.

Consequently, the fair statement of the reported loan balance of Kshs.1,352,212,296 as at 30 June, 2019 could not be confirmed.

3.2. Presentation and Accuracy of ADF Loan Interest Balance

The statement also reflects a balance of Kshs.591,151,902 under ADF loan interest comprising of Kshs.510,966,250, Kshs.54,289,608 and Kshs.25,896,044 in respect of the opening balance, annual redemption, and accrued interest and penalties, respectively. However, the accrued interest and penalties has been understated by an amount of Kshs.1,191,261. Further, the ADF loan interest balance has been inappropriately classified as non-current liability instead of current liability contrary to the provisions of IPSAS 1 on preparation and presentation of financial statements.

Consequently, presentation and accuracy of the ADF loan interest balance of Kshs.591,151,902 as at 30 June, 2019 could not be confirmed.

4. Work-In-Progress

As disclosed in Note 12 to the financial statements, the statement of financial position reflects a balance of Kshs.3,147,502,445 as work-in-progress. However, an amount of Kshs.115,602,391 relating to Olkalou town water project was not supported by certificates for work done. Further, a balance of Kshs.167,618,647 relating to Iten Sabor water project was classified under work-in-progress despite the project having been completed and commissioned in October, 2017. In addition, work-in-progress balance of Kshs.59,096,886 in respect of AfDB funded projects was not supported by a schedule of the beneficiary projects.

Under the circumstances, the accuracy and fair statement of the work-in-progress balance of Kshs.3,147,502,445 as at 30 June, 2019 could not be confirmed.

5. Property, Plant and Equipment

As reported previously, the Agency inherited non-current assets of undetermined value previously owned by the Ministry of Water and Sanitation and the National Water Harvesting and Storage Authority. The assets relating to water distribution infrastructure have not been valued and are therefore omitted from the Agency's financial statements despite continued usage to generate revenue. Management attributed the position to lack of formal transfer of the assets to the Agency but no action has been taken to resolve the issue.

Under the circumstances, the property, plant and equipment balance of Kshs.2,152,431,732 as at 30 June, 2019 is not fairly stated.

6. Accounts Receivables from Water Service Providers

As disclosed in Note 4 to the financial statements, the statement of financial position reflects a balance of Kshs.1,063,859,353 under accounts receivables. Included in the balance is an amount of Kshs.649,241,619 receivable from ten (10) Water Service Providers (WSPs) on account of administration fees. However, an independent confirmation from the individual WSPs revealed significant variances as detailed below.

Water Service Provider (WSP)	Balance as per Financial Statements (Kshs.)	Balance as per WSP (Kshs.)	Variance (Kshs.)
Nakuru Water Company	275,796,820	410,356,723	(134,559,903)
Nakuru Rural Water Company	224,070,969	214,025,320	10,045,649
Naivasha Water Company	47,316,081	4,467,743	42,848,338
Oi Kalou Water Company	13,255,203	18,718,270	(5,463,067)
ERAWASCO	17,435,524	25,255,013	(7,819,489)
Lodwar Water Company	19,711,028	61,950,125	(42,239,097)

Report of the Auditor-General on Rift Valley Water Works Development Agency for the year ended 30 June, 2019

Water Service Provider (WSP)	Balance as per Financial Statements (Kshs.)	Balance as per WSP (Kshs.)	Variance (Kshs.)
Nyandarua Water Company	10,955,848	11,167,868	(212,020)
Narok Water Company	26,150,361	4,367,604	21,782,757
Kapenguria Water Company	7,071,302	11,891,741	(4,820,439)
Iten Water Company	7,478,483	13,590,269	(6,111,786)
Total	649,241,619	775,790,676	(126,549,057)

The accounts receivables balance also includes an amount of Kshs.14,821,062, in respect of WSPs loan repayments which was not supported by a detailed schedule indicating amounts owed by each WSPs.

Consequently, the accuracy and fair statement of the accounts receivables balance of Kshs.1,063,859,353 as at 30 June, 2019 could not be confirmed.

7. Accounts Payables

The statement of financial position reflects a balance of Kshs.524,450,821 under accounts payables which, as disclosed in Note 7 to the financial statements, includes amounts of Kshs.6,846,045 and Kshs.2,413,875 owed to general trade creditors and WHT contractors AfDB, respectively. However, supporting documents including invoices and fee notes for the balances were not provided. Further, no provision has been made in the financial statements for the audit fees payable of Kshs.1,044,000.

Consequently, the accuracy and fair statement of the accounts payables balance of Kshs.524,450,821 as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rift Valley Water Works Development Agency 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.

Emphasis of Matter

Stalled Project - Itare Dam Water Supply

On 15 May, 2015, the Agency awarded a contract for the construction of Itare Dam Water Supply to an international company at a contract sum of Kshs.28,973,739,492. The contract for the provision of consulting services on the project was then awarded to another international firm on 28 October, 2016 at a contract sum of Kshs.694,090,008.

The contract period for the project was 48 months effective 6 April, 2017. The project had five (5) components, namely; 27 million m³ water storage dam, water treatment plant, bulk transfer tunnel, bulk transfer pipeline and reservoirs with distribution pipelines. However, a physical verification conducted on 14 November, 2019 revealed that no work was ongoing at the site as the contractor had suspended works on 24 September, 2018 citing delay in payment for an interim payment certificate number 7. Although the payment has since been made, the Contractor is yet to resume works at the site and hence it is stalled.

Further, in December 2018, the contractor was subjected to pre-bankruptcy proceedings in an international court of law and the outcome remains unknown. At the time the construction halted, the contractor had been paid a total of Kshs.11,064,145,695, representing (39.3%) of the contract sum against value of work done which stood at 27%. The Agency jointly with the consultant certifies the contractor's fee notes for money to be released by the Ministry of Water and Sanitation. The consultant had been paid a total of Kshs.114,917,623 based on monthly invoices submitted between October, 2018 and June, 2019. However, it is not clear how the consultant's fees is justified despite the project having stalled.

Consequently, the continued delay in completion of the project may lead to escalation of costs and the project not realizing its intended objective of supplying 100,000 m³ of water per day to the people in Nakuru and Kericho counties.

My opinion is not qualified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the 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. Non- Remittance of Statutory Deductions

The statement of financial performance reflects administrative expenses of Kshs.145,645,076 which, as disclosed in Note 11 to the financial statements, includes

statutory deductions of Kshs.13,951,863, Kshs.242,000 and Kshs.692,450 due to the Kenya Revenue Authority (KRA), the National Social Security Fund (NSSF) and the National Hospital Insurance Fund (NHIF), respectively. However, no explanation has been provided on why the amounts remained un-remitted to the relevant authorities against the requirements of Section 19(4) of the Employment Act, 2007.

The Agency is in breach of the law, to this extent.

2. Incomplete Projects funded under Equalization Fund

The Agency was identified to implement water projects in marginalized counties under the Equalization Fund. During the 2016/2017 financial year, the Agency submitted a budget of Kshs.1,096,408,322 to the Ministry of Water and Sanitation to undertake projects to be financed from the Equalization Fund. Subsequently, the Agency awarded contracts for projects valued at Kshs.674,351,372 which included water storage tanks, dams, water pans and water distribution lines which were to be undertaken over a period not exceeding twelve (12) months and were to be completed by December 2018. However, physical verification of the projects on 14 November, 2019, revealed that the projects were barely at 50% completion level with no works going on. Further, out of the total contracted projects sum of Kshs.674,351,372, only an amount of Kshs.223,734,950 had been received from the national government and paid to the contractors. Management has attributed non-completion of the projects to the delayed payments to the contractors.

Under the circumstances, the residents in the respective counties may not realize value for money from the expenditure of Kshs.674,351,372 incurred on the projects.

3. Non-Performing Long-Term Loan

The statement of financial position reflects a loan balance of Kshs.1,352,212,296 (2018-Kshs.1,362,012,296) being long-term loan acquired from the African Development Bank in 2005 with a repayment grace period of five (5) years. The loan proceeds were subsequently passed on to the water services providers who were to make repayments, after the expiry of the grace period, to the Agency for onward transmission to The National Treasury. According to the repayment schedule, provided for audit review, a loan amount of Kshs.515,751,272 (principal and interest) was due by 30 June, 2019. However, only an amount of Kshs.9,800,000 had been repaid, leading to default of Kshs.505,951,272 which continues to attract interest and penalties.

The Agency is in breach of the law, to this extent.

4. Non-Maintenance of Vote Book

The Agency did not maintain a vote book or equivalent in its accounting system during the year under review. This is contrary to Regulation 52 (1)(d) of the Public Finance Management (National Government) Regulations, 2015 which states that when the AIE is issued by the Ministry or State Department or Agency, the allocation shall be

entered as a commitment in the Ministry's or State Department's or Agency's master Vote Book so as to ascertain at all times the availability of uncommitted funds.

The Agency is in breach of the law, to this extent.

5. Grounded Motor Vehicles

The non-current assets movement schedule under Note 2 to the financial statements reflects a net book value of Kshs.22,235,39 under motor vehicles which includes two (2) motor vehicles registration numbers; KAC 734S and GKA 781L of undetermined value which have remained grounded since April, 2016. The grounded vehicles continue to depreciate and lose economic value contrary to Section 72 (b) of the Public Finance Management Act, 2012 which requires the Accounting Officer to manage assets in a way which ensures that the national government entity achieves value for money in acquiring, using and disposing the assets.

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 procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Risk Management Policy

The Agency does not have a Risk Management Policy to guide on assessment and evaluation of risks and subsequent development of mitigating strategies. This is contrary to Regulation 165 (1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer should ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism and a system of risk management and internal control that builds robust business operations. Service delivery may, therefore, be adversely affected if the risks are not proactively identified and mitigated accordingly.

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and The Board of Directors

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 its assessment of the effectiveness of internal control.

In preparing the financial statements, Management is responsible for assessing the Agency's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Agency or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Agency monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with

ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency 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 that are identified during the audit.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi.

15 September, 2021



XII. STATEMENTS OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019			
		2018/2019	2017/2018
		KSHS	KSHS
INCOME	10	1,316,746,275	624,636,509
EXPENDITURE			
Administrative Expenses	11	145,645,076	97,477,473
Bank Charges		2,192,276	2,460,105
Audit Fees		348,000	348,000
Training Expenses (Conferences and Seminars)		14,437,016	11,833,506
Transport Operating Expenses		9,911,548	5,775,877
Honoraria		320,000	800,000
Repairs, Maintenance and Support to W/S schemes	13	411,941,496	448,825,606
Board Expenses		9,758,016	29,887,420
Contracted professional services		3,120,245	3,017,204
contracted guards & cleaning services		2,481,442	2,898,997
Depreciation		226,858	1,006,078
Corporate Social Responsibility (CSR)		3,821,600	3,384,420
Finance cost		25,896,044	27,087,305
TOTAL EXPENDITURE		630,099,617	634,801,992
SUPLUS/(DEFICIT)		686,646,658	(10,165,483)



XIII. STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2019			
	NOTES	2018/2019 KSHS	2017/2018 KSHS
ASSETS			
Non-Current Assets	1 & 2		
Property, Plant & Equipment		2,152,431,732	2,138,501,510
Work In Progress	12	3,147,502,445	2,119,944,896
Total Non-Current Assets		5,299,934,177	4,258,446,406
Current assets			
Accounts Receivables	4	1,063,859,353	1,212,611,562
Deposits	5	95,000	95,000
Bank	6	1,452,246,989	1,035,763,653
Total Current assets		2,516,201,343	2,248,470,215
TOTAL ASSETS		7,816,135,520	6,506,916,621
EQUITY AND LIABILITIES			
Capital	9		
-General Fund		3,188,085,204	2,610,585,204
-Reserves		2,160,235,298	1,473,588,640
Loans Adf	14	1,352,212,296	1,362,012,296
Loans interest Adf	14	591,151,902	510,966,250
Total Non-Current Liabilities		7,291,684,699	5,957,152,390
Accounts Payables			
Accounts Payables	7	524,450,821	549,764,232
Total Accounts Payables		524,450,821	549,764,232
TOTAL EQUITY AND LIABILITIES		7,816,135,520	6,506,916,621

The Financial Statements on pages 26 -41 were approved for issue by the Board of Directors on 25th of September, 2019

Signed: Kamama Asman Signed: Hosea Wendot

Hon Kamama A Asman, MGH,OGW
 Chairman

Eng. Hosea Wendot
 Chief Executive Officer

Date: 27/01/2020

Date: 27th January, 2020



XIII STATEMENT OF CHANGES IN OWNERS' FUNDS

**STATEMENT OF CHANGES IN OWNERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2019**

	General Fund	Revenue Reserves	Totals
	KSHS	KSHS	KSHS
Year ended 30 June 2019			
Balances at start of year	2,610,585,204	1,473,588,640	4,084,173,844
Funds received during the year	577,500,000	-	577,500,000
Surplus for the year	-	686,646,658	686,646,658
Balances at end of year	3,188,085,204	2,160,235,298	5,348,320,502

**STATEMENT OF CHANGES IN OWNERS' FUNDS
FOR THE YEAR ENDED 30 JUNE 2018**

	General Fund	Revenue Reserves	Totals
	KSHS	KSHS	KSHS
Year ended 30 June 2018			
Balances at start of year	2,245,585,204	1,483,754,123	3,729,339,327
Funds received during the year	365,000,000	-	365,000,000
Surplus for the year	-	(10,165,483)	(10,165,483)
Balances at end of year	2,610,585,204	1,473,588,640	4,084,173,844



XIV CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2019		
	2018/2019	2017/2018
	KSHS.	KSHS.
A. OPERATING ACTIVITIES		
Cash generated from operations	686,646,658	(10,165,483)
Depreciation Adjustment	226,858	1,006,078
Decrease(Increase) in Accounts Receivables 4	148,752,209	(1,939,247)
Increase(Decrease) in deferred payments 6	-	-
Increase(Decrease) in Accounts Payables 7	(25,313,411)	81,259,040
CASH FLOW FROM OPERATING ACTIVITIES	810,312,314	70,160,388
B. INVESTING ACTIVITIES		
Non-Current Assets acquired 2 & 12	(1,051,514,629)	(733,089,208)
CASH FLOW FROM INVESTING ACTIVITIES	(1,051,514,629)	(733,089,208)
C. FINANCING ACTIVITIES		
Loans	-	-
Loan redemption + Interests 14	80,185,651	54,289,608
Grants 9	577,500,000	365,000,000
CASH FLOW FROM FINANCING ACTIVITIES	657,685,651	418,895,372
D. TOTAL CASH FLOW (A +C)	1,467,997,965	489,055,760
NET CASH FLOW (D+B)	416,483,336	(244,033,449)
MOVEMENT IN CASH AND CASH EQUIVALENTS		
As at 30 June 2018	1,035,763,653	1,279,797,102
Increase/(Decrease) for the year	416,483,336	(244,033,449)
As at 30 June 2019	1,452,246,989	1,035,763,653



XV STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget 2018/2019	Adjustments 2018/2019	Revised Budget 2018/2019	Actual on Comparable basis 2018/2019	Performance Difference 2018/2019
	Ksh	KSHS	KSHS	KSHS	KSHS
REVENUE 4					
Lease fees and agency fees	-	-	-	-	-
Other Misc incomes	15,472,000	1,419,308	16,891,308	16,891,308	-
GoK Grants-dev	1,650,000,000	(1,142,031)	1,648,857,970	1,243,941,304	
GoK Grants-Rec	190,000,000	(17,416,666)	172,583,334	-	
WSPs Loan Repayment	54,225,000	(1,600,274)	52,624,726	52,624,726	-
Other Governments- KIDDP	-	1,624,056	1,624,056	1,624,056	-
Other Governments - EU	-	-	-	-	-
TOTAL INCOME	1,909,697,000		1,892,581,394	1,315,081,394	
EXPENSES					
Staff emoluments 11	89,399,000	(16,887,009)	72,511,991	72,511,991	-
Operating expenses	112,633,000	22,708,256	135,341,256	135,341,256	-
Repairs and Maintenance 13	-	411,941,496	411,941,496	411,941,496	-
Board expenses	21,000,000	(10,921,984)	10,078,016	10,078,016	-
Depreciation	4,400,000	(4,173,142)	226,858	226,858	-
The National Treasury	54,130,000	(44,330,000)	9,800,000	9,800,000	
TOTAL EXPENDITURE	281,562,000		639,899,617	639,899,617	
Surplus/Deficit	1,628,135,000		1,252,681,777	675,181,777	
DEVELOPMENT					
Rift Valley Water Supply and Sanitation Project	1,650,000,000	1,072,500,000	577,500,000	577,500,000	-
	1,931,562,000		577,500,000		



XVI NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Compliance and Basis of preparation

The Agency's Financial Statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The Financial Statements are presented in Kenya Shillings, Which is the functional and reporting currency of the Agency and all values are rounded to the nearest shilling. The accounting policies have been consistently applied.

The Financial Statements have been prepared on the basis of historical cost, unless stated otherwise.

The cash flow statement is prepared using the direct method. The Financial Statements are prepared using Accrual basis.

i) Summary of Significant Accounting Policies

a) Revenue Recognition

The Agency recognizes revenue of goods and services in the period in which the board delivers the services to the customer and the Customer has accepted. Government grants are recognized when received.

b) Deferred income

Deferred income is recognized instead of revenue. Other non exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

c) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

d) Budget information

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



e) Property, Plant and Equipment–IPSAS17

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Land has been taken at cost though on leasehold status to be converted to the freehold. Depreciation is calculated using the straight line method to write down the cost of the assets to their residual value over the estimated useful lives, as follows;

Asset Description	% Per	
	annum	Years
Motor Vehicles	25	4
Furniture and fittings	12.5	8
Plant and Machinery	12.5	8
Computers and office equipment	33.3	3
Water pipelines	5	20
Sewerage line	5	20
Buildings	2	50
Water Reservoirs & Storage	2	50
Electro-mechanical, Tools & Equipment	6.67	15
Boreholes	2	50
Intangible Assets	33.3	3

The assets are not depreciated in the year of acquisition. WSPs and CBOs Assets acquired on behalf of Water Services Providers (WSPs) and Community Based Organizations (CBOs) shall not be depreciated.

f) Employee benefits – IPSAS 25
Retirement benefit plans

The Entity provides retirement benefits for its employees as prescribed by regulations issued by Government from time to time. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.



g) Financial Risk

The Entity assumes that no un-expected changes in level of funding required for supporting its investment plans this may be due to changes in national priorities which currently places water at a high level against competing national needs or unreliable donor support.

h) Taxation

The Entity is a Non Commercial Parastatal under the Ministry of Water & Sanitation and Irrigation dealing with water development and water is a non taxable commodity, tax has not been provided for.

j) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

k) Related parties – IPSAS 20

The Entity regards a related party as an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa and for this reason Water Service Providers are related parties to the Agency.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the commercial banks at the end of the financial year.

m) Changes in accounting policies and estimates–IPSAS3

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

n) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the Financial Statements for the year.



2. Non-current Assets Movement Schedule

Asset Class	Cost (Kshs)	Additions (Kshs)	Totals (Kshs)	Accumulated Depreciation B/F (Kshs)	Depreciation 2018/2019 (Kshs)	Accumulated Depreciation C/F (Kshs)	Net book Value as at 30/6/2019 (Kshs)	Net book Value as at 30/6/2018 (Kshs)
Furniture & Fittings 12.5%	3,459,122	2,823,290	6,282,412	3,459,122	-	3,459,122	2,823,290	-
Motor vehicles 25%	2,087,720	5,691,001	7,778,721	2,087,720	-	2,087,720	5,691,001	-
Plant & Machinery, 12.5%	2,328,737	-	2,328,737	2,328,737	-	2,328,737	-	-
Land 0%	8,401,550	-	8,401,550	-	-	-	8,401,550	8,401,550
Computers, UPS & Printers, office Equip 33.3%	6,709,553	3,810,667	10,520,220	6,028,297	226,858	6,255,155	3,838,375	254,566
Water Pipelines 5%	658,501,343	-	658,501,343	-	-	-	658,501,343	658,501,343
Sewerage Lines 5%	131,276,646	-	131,276,646	-	-	-	131,276,646	131,276,646
Buildings 2%	162,773,515	-	162,773,515	-	-	-	162,773,515	162,773,515
Storage Tanks & Reservoirs 2%	74,233,062	-	74,233,062	-	-	-	74,233,062	74,233,062
Electro-Mechanical Tools & Equipment 6.67%	184,300,452	-	184,300,452	-	-	-	184,300,452	184,300,452
Fixtures & Fittings 12.5%	1,910,115	-	1,910,115	-	-	-	1,910,115	1,910,115
Computers, UPS & Printers 33.3%	15,834,053	-	15,834,053	-	-	-	15,834,053	15,834,053
Meters 20%	103,239,739	-	103,239,739	-	-	-	103,239,739	103,239,739
Boreholes 2%	167,126,009	-	167,126,009	-	-	-	167,126,009	167,126,009
Motor vehicles 25%	22,235,391	-	22,235,391	-	-	-	22,235,391	22,235,391
Intangible Assets* 33.33%	609,820,577	-	609,820,577	-	-	-	609,820,577	609,820,577
								2,131,250,902
	2,154,237,584	12,324,958	2,166,562,542	13,903,876	226,858	14,130,734	2,152,431,732	2,138,501,510

*Intangible assets: this is made up of consultancies under the project

*Assets acquired under ADF project have not been depreciated since the Generally Accepted Accounting Principles (GAAPs) principle on "matching expense to income" was not met



3. Inventories

The entity did not have any stocks as at the end of the financial year. Inventories are stated at the lower of cost and net realizable value.

4. Accounts Receivables

Receivables are recognized at fair value. No provision is made for impairment of receivables as there is no objective evidence that the Agency will not be able to collect the amounts due to it according to the terms of original receivable

	2018/2019 KSHS	2017/2018 KSHS
WSPs Administration		
Fees	649,241,619	649,241,619
WSPs Loan Repayment(NAWASSCO)	52,093,326	65,249,480
WSPs Loan Repayment(Others)	14,821,062	14,821,063
Staff	130	-
KPLC (Pre-paid)	-	-
Guangxi Hydroelectric construction bureau	292,794,270	447,148,880
HP Gauff	21,400,592	36,150,521
Davis & Shirliff	20,691,390	-
Zonals Company Ltd	6,500,000	-
Emcons Limited	6,316,964	-
	1,063,859,353	1,212,611,562

*

5. Deposits

	2018/2019 KSHS	2017/2018 KSHS
Rent (Mugi Properties)	60,000	60,000
Electricity (KPLC)	30,000	30,000
Water (NAWASSCO)	5,000	5,000
	95,000	95,000



6. Cash and Cash Equivalents	2018/2019	2017/2018
	KSHS	KSHS
KCB General Account	53,283,038	48,869,036
KCB EU-ACP Account	18,043	1,319,876
KCB Development funds - GOK	1,341,569	-
KCB Revenue Account*	1,017,459,772	725,892,966
KCB Kenya/Italy Account	1,683,052	1,204,996
Cash in Hand	130	1,200
KCB Consumer Deposit Account	4,062,605	4,067,484
KCB Unicef Account	-	-
KCB JICA Rural W/S Account	205,103,234	222,147,361
KCB Loan ADf Account	52,682,022	9,860,849
KCB Equalization Account	116,613,525	22,399,885
	1,452,246,989	1,035,763,653

*Included in KCB Revenue account is KSH 1.02 Billion from GoK for development Grants



7. Accounts Payables	2018/2019	2017/2018
	KSHS	KSHS
Administration-		
Staff Gratuity and Pension	4,101,046	1,441,023
Voluntary Salary Deduction	593,750	593,750
Compulsory Salary Deduction	1,088,370	725,580
Trade creditors-		
KCB Consumer deposits Account	4,062,605	4,067,484
KCB Adf Loan Account	52,682,022	9,860,849
KPLC (Kabarnet, sch & DWO)	-	-
KCB Dev Account	-	6,690,917
General trade creditors	6,846,045	7,493,974
KENYA ITALY Creditors-		
Retention Kenya Italy	8,566,179	8,566,179
Unicef Creditors-		
Retention Unicef	774,992	774,992
Development Creditors-		
Jica Baringo Rural project	-	4,903,792
ADB projects	-	-
H.P Gauff	11,517,754	38,773,304
GIBB Africa Ltd	5,647,964	5,647,964
Nairobi Iron Mongers	279,523	279,523
Machiri LTD	1,175,641	1,175,641
Retention money Olkalou	5,708,813	5,708,813
Retention money adb	198,502	198,502
General Development Creditors	38,975,995	11,235,282
General Development Retentions	118,114,057	39,222,297
The Natonal Treasury	261,703,690	181,518,038
WHT Contractors AfDB	2,413,875	600,000
Guangxi Hydro Construction ltd	-	220,286,329
	524,450,821	549,764,232



8 Assets and liabilities from the National Water Conservation and Pipeline Corporation and the Ministry of Water & Sanitation and Irrigation have not been formally transferred to the Agency. Once these assets are transferred they will appear in the Agency's Accounts.

9. Capital and Reserves

	Capital Fund KSHS	Revenue Reserves KSHS	Totals KSHS
Year ended 30 June 2018			
Balances at start of year	2,610,585,204	1,473,588,640	4,084,173,844
Funds received during the year	577,500,000	-	577,500,000
Surplus for the year	-	686,646,658	686,646,658
Balances end of the year	3,188,085,204	2,160,235,298	5,348,320,502

10. Income

	2018/2019 KSHS	2017/2018 KSHS
Government Grants	1,243,941,304	546,543,902
Incomes from larger Baringo Scheme & CBOs	-	3,361,955
WSPs Loan Repayment	54,289,608	54,289,608
KIDDP	1,624,056	1,232,508
EU-ACP	-	-
JICA Rural W/S	-	-
Other Incomes 17 & 19	16,891,308	19,208,537
Total	1,316,746,275	624,636,509



11. Administrative Expenses

	2018/2019 KSHS	2017/2018 KSHS
Accessories for computers & printers	3,559,307	3,278,590
Advertising, Publicity & Trade shows	6,547,756	150,800
Courier & Postal Services	223,003	118,560
Electricity & Water	830,888	1,466,184
General Office expenses/supplies	2,749,791	2,935,507
Publishing & Printing	467,823	130,325
Subscription to newspapers & publication	60,000	33,600
Insurance expenses	7,155,539	7,751,512
Telephone & Internet Expenses	682,725	505,623
Official Entertainment	2,658,337	718,380
Personnel Emoluments	72,511,991	66,496,248
Staff Welfare expenses	530,000	1,620,900
Travelling & Accommodation	47,667,916	12,271,245
Total	145,645,076	97,477,473

12. Work-in-Progress

Part of the assets acquired under the Olkalou Water Project whose works are continuing have been treated as work-in-progress in the accounts until that project component is completed and handed over.

	2018/2019 KSHS	2017/2018 KSHS
Olkalou Town Water Project	115,602,391	115,602,391
Itare Dam W/S	586,370,750	414,382,553
Chemususu Phase II W/S	2,032,405,715	1,217,128,811
Kirandich Phase II W/S	186,408,056	183,603,556
Iten Sabor Water Project	167,618,647	167,618,647
AfDB Funded Projects	59,096,886	21,608,937
	3,147,502,445	2,119,944,896

13. Repairs of Water Supplies and support to schemes

	2018/2019 KSHS	2017/2018 KSHS
Drought Mitigation, borehole dev, rehab of W/S, support to WSPs & W/S schemes and Maintenance & Repairs	411,941,496	448,825,606
Development of Pans and Dams	-	-
Development of Lodwar well fields	-	-
	411,941,496	448,825,606



14. Loan ADF

The AfDB loan is on-lending to the Board. The Government of Kenya took the loan from AfDB. However, there were no funds in relation to loans received during the year.

14 (a) Principal Repayments

	2018/2019 KSHS	2017/2018 KSHS
The National Treasury	9,800,000	-
	<u>9,800,000</u>	<u>-</u>

14 (b) Loan

	2018/2019 KSHS	2017/2018 KSHS
The National Treasury(Redemption)	54,289,608	54,289,608
	<u>54,289,608</u>	<u>54,289,608</u>

15 Transfers from other Government

	2018/2019 KSHS	2017/2018 KSHS
Government Grants	1,243,941,304	546,543,902
KIDDP	1,624,056	1,232,508
EU-ACP	-	-
JICA	-	-
Total Government Grants & Subsidies	<u>1,245,565,360</u>	<u>547,776,409</u>

16 Rental Services

	2018/2019 KSHS	2017/2018 KSHS
Bill Board	200,000	182,326
	<u>200,000</u>	<u>182,326</u>

17. Income

	2018/2019 KSHS	2017/2018 KSHS
Incomes from larger Baringo Scheme & CBOs	-	3,361,955
WSPs Loan Repayment	54,289,608	54,289,608
	<u>54,289,608</u>	<u>57,651,563</u>



	2018/2019	2017/2018
18 Other Income	KSHS	KSHS
Laboratory /Tender fees	988,400	535,000
Interest current Accounts	13,289,033	13,262,151
Insurance Compensation		
KBW 035	-	2,662,500
WHT Contractors AfDB	2,413,875	600,000
Fees from hosting PC	-	1,966,560
	16,691,308	19,026,211
Totals (16)+(18)	16,891,308	19,208,537

19. Related Party Relations

The Water Act 2016 establishes relations with the County Governments. In this regard the Agency Provided technical and capacity building services to County Governments and Water Services Providers upon them requesting. It also assisted in the areas of management of water service provision including monitoring and developing management tools.

20. Reporting Currency

The currency used is Kenya Shillings (KSHS)