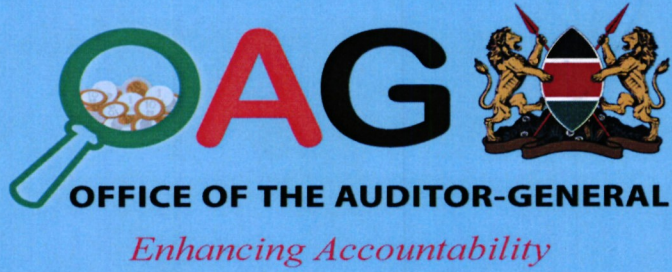



REPUBLIC OF KENYA



REPORT

PARLIAMENT
OF KENYA
LIBRARY

 THE NATIONAL ASSEMBLY	
DATE: 05 JUL 2023	
DAY: Wednesday	
TABLED BY:	Hon. Kimani Ichunguwa (Majority Party Leader)
CLERK-AT THE TABLE:	Mob

OF

THE AUDITOR-GENERAL

ON

**NATIONAL WATER HARVESTING AND
STORAGE AUTHORITY**

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



NATIONAL WATER HARVESTING & STORAGE AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022

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

**National Water Harvesting & Storage Authority
Annual Report and Financial Statements
for the year ended June 30, 2022**



National Water Harvesting & Storage Authority
Annual Report and Financial Statements
for the year ended June 30, 2022

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KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

National Water Harvesting and Storage Authority is established under Section 30 of the Water Act 2016. Section 149 of the Water Act 2016, transformed the Authority from National Water Conservation & Pipeline Authority (NWCPC) which was established under the State Authority's' Act Chapter 446 of the Laws of Kenya vide Legal Notice No. 270 of 24th June, 1988.

Vision

“To be the premier authority in water infrastructure development and management in Kenya and beyond.”

Mission

“Developing and managing national water works infrastructure towards enhancing water security, flood mitigation and storage for multipurpose use.”

(b) Principal Activities

The Authority's Mandate and functions as stipulated in Section 32 of the Water Act 2016 are as follows;

(1) The functions and powers of the Water Storage Authority shall be to -

- a) Undertake on behalf of the national government, the development of national public water works for water resources storage and flood control;
- b) Maintain and manage national public water works infrastructure for water resources storage;
- c) Collect and provide information for the formulation by the Cabinet Secretary of the national water resources storage and flood control strategies;
- d) Develop a water harvesting policy and enforce water harvesting strategies;
- e) Undertake on behalf of the national government strategic water emergency interventions during drought; and
- f) Advise the Cabinet Secretary on any matter concerning national public water works for water storage and flood control.

(2) The Water Storage Authority may appoint agents for the operation, management, maintenance and safety of any storage infrastructure that it has developed.

(3) The Water Storage Authority shall have such other powers and functions as may be conferred or imposed on it by this or any other Act

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KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(c) Key Management

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

- Board of Directors
- Accounting officer/Chief Executive Officer
- Management

(d) Fiduciary Management

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

No.	Name of the Staff	Responsibility
1	Eng. John K. Muhia	Chief Executive Officer (Acting) Appointed on 29 th March, 2023
2	CS. Sharon Obonyo	Manager, Legal Services (Acted as Chief Executive Officer upto 28 th March 2023)
3	Eng. Reuben Itiko	Chief Engineer – Construction (Retired)
4	CPA Patrick Ataro	General Manager, Finance & Corporate Planning
5	Mr. Duncan Ondulo	Manager, Infrastructure Planning & Design (Coordinating Department)
6	CS. Joseph Ojiambo	Manager, Human Resource & Administration
7	Mr. John Musyoka	Manager, Supply Chain
8	CPA. Philip Nzengu	Manager, Internal Audit

(e) Fiduciary Oversight Arrangements

Finance Committee

The Committee comprises of four directors (one of them as Chairman) and the Chief Executive Officer as the Secretary.

The Committee has the following duties and responsibilities as directed by the Board:

- a) Develop, review and monitor implementation of the resource mobilization strategy of the Authority;
- b) Review and make recommendations to the Board of Directors regarding the Authority's annual financial plans;
- c) Review the financial condition of the Authority and its requirements for funds;
- d) Review and make recommendations to the Board of Directors regarding any proposed capital project which is required to be approved by the Board of Directors;
- e) Review and make recommendations to the Board where appropriate regarding Authority's financial and risk management policies and practices, including cash investment policies; debt limitations; annual and longer-term operating plans; long-term capital expenditure projects; financing plans; and other financial transactions or issues that management desires to have reviewed by the Committee.

Governance, Risk & Audit Committee

This Committee comprises of four directors (one of them as Chairman) excluding the Chief Executive Officer and the secretary is the Chief Internal Auditor

The Board of Directors of the Authority established the Risk & Audit Committee to discharge duties related to safeguarding the Authority's assets; operation of adequate systems; control processes and preparation of accurate financial reporting and statements in compliance with legal requirements and accounting standards

The Committee shall have the following duties and responsibilities, as well as such other duties and responsibilities as it deems appropriate to carry out its purposes or as directed by the Board:

- a) Deal with appointment and termination of the Chief Internal Auditor. The Committee shall recommend this to the Board of Directors for approval;
- b) Discuss problems and reservation arising from the final audits, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
- c) Review the external auditor's report(s) to the Management and Management's response;
- d) Consider the major findings in internal investigations and Management's response;
- e) Have explicit authority to investigate any matter within its terms of reference, the resources that it needs to do so and full access to information;
- f) Obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary;
- g) Consider other topics as defined by the Board including regular review of the capacity of the internal audit function; and
- h) The Committee must ensure that all legal provisions are followed. In addition to the various statutes that apply to the Authority's operations, these should include:
 - Code of Conduct
 - Water Act 2016
 - The Government's Rules and Regulations
 - State Authority's Act
 - Policies, Rules and Regulations established by the Board
- i) Establish an internal audit function and the Risk & Audit Committee's function in relation to Internal Audit functions, to include:
 - Review of the adequacy, scope, functions and resources of the Internal Audit function and ensure that it has the necessary authority to carry out its work.
 - Review the Internal Audit Program and results of the Internal Audit process and, where necessary ensure that appropriate actions are taken on the recommendations of the Internal Audit function.
 - Review any appraisal or assessment of the performance of members of the Internal Audit function.
 - Approve any appointment or termination of senior staff members of the Internal Audit function.
 - Ensure that the Internal Audit function is independent of the activities of the Authority and is performed with impartiality, proficiency and due professional care.

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Human Resource and General-Purpose Committee

The Committee comprises of four directors (one of them as Chairman) and the Chief Executive Officer as the Secretary.

The Board of Directors of the National Water Harvesting & Storage Authority has established the Human Resources and General Purposes Committee to review, and as appropriate, act on behalf of the Board, or make recommendations to the Board concerning staff, corporate communication, corporate social responsibility and legal issues.

The Committee has the following duties and responsibilities as directed by the Board:

- a) Human Resource Planning by ensuring there is a staff establishment; the right number and quality of staff with relevant skills; and succession planning
- b) Development of the Authority's Organizational Structure
- c) Recruitment and selection and retention of staff with the relevant skills
- d) Training and development of employees to improve organizational productivity
- e) Ensure that the employees are rewarded through an Employee Merit Reward System and that the employees' salaries are constantly reviewed and they are provided with better incentives and benefits
- f) Ensure that there are disciplinary and grievance-handling procedures in place outlining how they are administered
- g) General Staff Welfare – Ensure that the employees have conducive work environment, health and safety
- h) Review and approve terms and conditions of service for Authority employees;
- i) Handle policy issues on Human Resource and Administration; and performance management
- j) Oversee the implementation of change process plans in the organization;
- k) Ensure compliance with the State Authorities Act Cap. 446, Water Act of 2002, provisions of the Legal Notice No 270 of 1998 and any written law
- l) Interpret regulations that may be issued from time to time by the Ministry of Water and Irrigation and the Government;
- m) Handle policy issues on Corporate communications and corporate social responsibility
- n) Review all litigation matters.
- o) Promote effective communication within and with all stakeholders.

The Committee meets on quarterly or need basis.

Strategy Technical and Business Development Committee

The Committee comprises of four directors (one of them as Chairman) and the Chief Executive Officer as the Secretary.

The Board of Directors of the National Water Harvesting & Storage Authority has established the Strategy, Technical and Business Development Committee to review, and as appropriate, act on behalf of the Board, or make recommendations to the Board concerning planning, strategy, technical, ICT and business development issues.

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The Committee has the following duties and responsibilities, as directed by the Board:

- a) Review strategies, plans and service charters for attaining the Authority's Service Delivery Objectives.
- b) Give policy direction in the development of the Authority's Strategic Plan/ Business Plan and monitoring its implementation
- c) Review ISO certification procedures manuals
- d) Give policy direction in development of pro-poor approaches and community involvement in projects
- e) Approval of project work plans and Performance Contract targets
- f) Approve the Quarterly Performance Contract Progress Reports.
- g) Review proposals and plans for infrastructure development and improvement.
- h) Consider, evaluate and review progress of implementation for infrastructure development programs.
- i) Consider, evaluate and review performance of outsourced works
- j) Consider and evaluate the use of new and appropriate technologies in provision of water storage facilities
- k) Ensure compliance by the Authority with statutory regulations relating to the Environment and Water Resources Management
- l) Review and give policy direction on proposals for gazettment and implementation of state schemes
- m) To receive, examine and approve implementation of new/proposed projects as well as reports on the applications of new technologies.
- n) Where necessary on sample basis visit projects under implementation to access progress and recommend the way forward or any action plans.
- o) To receive deliberate on and give guidance on policy matters with respect to progress reports on the on-going projects;
- p) To discuss any other relevant matters that pertains to the technical operations of the company.
- q) To discuss any other business arising from the Strategy, Technical and Business Development committee.

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KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(f) Headquarters

National Water Plaza
P.O. Box 30173
GPO 00100
Dunga Road, Industrial Area
Nairobi, Kenya.

(g) Contacts

Telephone: (254) (020) 6964000)
Hotline: (254) 020 696 4000/1
E-mail: info@waterauthority.go.ke
Website: www.waterauthority.go.ke

(h) Bankers

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

National Bank of Kenya
National Bank Building Harambee Avenue, Nairobi
P.O BOX 72866
City Square-00200
Nairobi, Kenya

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

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THE BOARD OF DIRECTORS

 <p>Date of Birth: 20th January, 1968</p>	<p>Rev. Dr. Samuel Thiong'o Mwangi <i>Chairman – Board of Directors</i> Appointed on 17th June 2022</p> <p>Key Qualifications Doctorate Degree (Doctor of Divinity) Master's Degree (Psychology Counselling) B.A Hons (Bible and Theology)</p> <p>Work Experience 2017 to date: Lecturer – Global University 2005 to date: Senior Pastor – African Holy Ghost Christian Church</p>
 <p>Date of Birth: 7th July, 1969</p>	<p>Eng. John K. Muhia <i>Ag. Chief Executive Officer</i> Appointed on: 29th March, 2023</p> <p>Key Qualifications MSC – Water & Sanitation Registered by Kenya Engineering Technology Registration Board</p> <p>Work Experience 2023 Feb – Assistant Director Bulk Water Management 2020 May – 2022 Jan – Project Coordinator – AWWDA 1991 – 2020 – Has held various positions</p> <p>Secretary to the Board</p>
	<p>CS. Sharon Obonyo <i>Manager, Legal Services</i> <i>Acted as Chief Executive Officer upto 28th March, 2023</i></p> <p>Key Qualifications Advocate of High Court of Kenya Commissioner for Oaths Master of Public Policy Management (finalist) Bachelor of Laws (LLB) Post Graduate Diploma in Law (KSL)</p>

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 <p>Date of Birth: 15th December 1968</p>	<p>Eng. S.A.O Alima <i>Representative: PS, Ministry of Water, Sanitation & Irrigation</i> Appointed On: 28th June 2018</p> <p>Key Qualifications MSC (Civil Engineering) MBA (Operations Management) BSC (Civil Engineering)</p> <p>Work Experience Currently - Water Secretary - Ministry of Water, Sanitation & Irrigation</p>
 <p>Date of Birth: 10th November 1969</p>	<p>Mr. Chrisologus Makokha <i>Representative of Inspectorate of State Authority</i> Appointed On:</p> <p>Key Qualifications Master of Business Administration Bachelor of Science (Applied Statistics with IT),</p> <p>Work Experience Currently - Inspectorate of State Authorities at Office of the President</p>
 <p>Date of Birth: 21st March 1979</p>	<p>Elema Huka <i>Representative: CS, National Treasury & Planning</i> Appointed On: 31st January 2020</p> <p>Key Qualifications Bachelor of Arts (Economics)</p> <p>Work Experience Currently - Principal Economist and Assistant Director – National Treasury & Planning.</p>

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Date of Birth: 14th April 1969

Mr. Cyrus Muriithi Mbogo

Director representing the PS, Lands and Physical Planning

Appointed On: 7th June 2021

Key Qualifications

Master of Arts (Project Planning Management)

Bachelor of Arts (Economics and Mathematics)

Work Experience

Currently - Director of Macro Planning - Ministry of Lands and Physical Planning



Date of Birth: 1st January, 1963

Mohamud Mohammed Awale

Independent Member

Appointed On 5th July 2022

Key Qualifications

Higher National Diploma-KPLC, Electrical Engineering

Diploma in Sales Management

Diploma in Peace and Conflict resolution

Work Experience

2019 to 2021; Director, Ewaso Ngiro Development Authority

Sales Manager in Gulf States (Qatar, Kuwait, Saudia Arabia)



Date of Birth: 1st February, 1975

Agnes Wambui Mwicigi

Independent Member

Appointed On 5th July 2022

Key Qualifications

LLB(Hons): University of Leeds

Work Experience

2018-Date-Founder/Director 365 love Kenya

2006-2011 Chief Executive Officer-Trak Card Systems

2003-2006 Regional Manager-Erwin Pearl Ltd Georgia USA

Chair of the Finance Board Committee at NWSA

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 <p>Date of Birth: 1st January, 1977</p>	<p>Eng. Peter Shikuku Amisi <i>Independent Member</i></p> <p>Appointed On 5th July 2022</p> <p>Key Qualifications Registered Engineer-IEK/EBK BSC - Civil Engineering CPA Part I &II</p> <p>Work Experience 2021 to date: Assistant Resident Engineer– Tripple Systems Consultants Ltd. 2019-2020: Assistant Resident Engineer 2014-2019: Engineering and Logistics Manager Chair of the Strategy, Technical & Business Development Board Committee at NWHSA</p>
 <p>Date of Birth: 26th December, 1981</p>	<p>Dr. Caroline Muthoni Mwangi <i>Independent Member</i></p> <p>Appointed On 5th July 2022</p> <p>Key Qualifications Master of Medicine -Anaesthesiology Bachelor of Medicine and Bachelor of Surgery (MBChB) Fellowship in Cardiac Anaesthesia</p> <p>Work Experience 2015 to date: Lecturer – University of Nairobi 2010 to 2015: Tutorial Fellow University of Nairobi 2007-2010: Medical Officer Meru District Hospital</p> <p>Chair of the of Audit Board Committee at NWHSA</p>
 <p>Date of Birth: 5th May, 1968</p>	<p>Mr. George Onyango Ndonji <i>Independent Member</i></p> <p>Appointed On 5th July 2022</p> <p>Key Qualifications Bachelor of Arts (Hons)- (Business with finance) Advanced Diploma in Logistics and Supply Chain Management BCom - University of Nairobi</p>

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	<p>Diploma in Logistics & Transport CPA Section III</p> <p><i>Work Experience</i></p> <p>2019 to date: Lecturer – Director and Principal Consultant GPP Consulting, Nairobi</p> <p>2009 to 2013: Executive Chairman Otifer logistics Ltd Nairobi</p> <p>2012-2016: Water Services Regulatory Board-Director</p> <p>Chairman of the of Human Resources & General Purposes Board Committee at NWHSA.</p>
 <p>Date of Birth: 6th June 1977</p>	<p>Bernard Otieno Okebe <i>Independent Member</i></p> <p>Appointed On: 8th February 2019 Retired On: 7th February 2022</p> <p><i>Key Qualifications</i></p> <p>MSC - Communication BSC - Communication and Public Relations</p> <p><i>Work Experience</i></p> <p>Over twenty-four (24) years in Communication and Media</p> <p>Former Chair of the of Human Resources & General Purposes Board Committee at NWHSA.</p>
 <p>Date of Birth: 11th November 1971</p>	<p>Dr. Geoffrey Gitau Kamau <i>Independent Member</i></p> <p>Appointed On: 8th February 2019 Retired On: 7th February 2022</p> <p><i>Key Qualifications</i></p> <p>PhD in Entrepreneurship Msc Entrepreneurship Bsc Communication and Public Relations Bachelor of Education (Mathematics and Computer Studies)</p> <p><i>Work Experience</i></p> <p>Over twenty-four (24) years in Communication and Media</p> <p>Dr. Gitau has served in different capacities in various Universities in Kenya</p>

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 <p>Date of Birth: 8th July 1978</p>	<p>Hon. Banticha Abdullahi Jaldesa <i>Independent Member</i></p> <p>Appointed On: 8th February 2019 Retired On: 7th February 2022</p> <p>Key Qualifications Bachelor of Arts in Education Msc Entrepreneurship</p> <p>Work Experience Former Member of Parliament Worked as a Finance Director at a petroleum company Former Chair of the Governance, Risk and Audit Board Committee at NWHSA</p>
 <p>Date of Birth: 26th May 1974</p>	<p>Monica Namunyak Cherutich <i>Independent Member</i></p> <p>Appointed On: 8th February 2019 Retired On: 7th February 2022</p> <p>Work Experience 2019-2022: Board Member NWHSA</p>
 <p>Date of Birth: 6th October 1977</p>	<p>Jane Mwikali Makau <i>Independent Member</i></p> <p>Appointed On: 8th February 2019 Retired On: 7th February 2022</p> <p>Key Qualifications Master of Business Administration BA (HONS) In Business and Management</p> <p>Work Experience Seasoned Entrepreneur and Business Leader She is a Certified Lead Trainer in National Industrial Training Authority Kenya. Former Chair of the Strategy, Technical & Business Development Committee at NWHSA.</p>

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Date of Birth: 9th April 1960

Abdikadir Haji Abdi Dara

Independent Member

Appointed On: 8th February 2019 Retired On: 7th February 2022

Key Qualifications

MBA in International Marketing Management

BA (HONS) In Business and Management

Work Experience

Has held various leadership positions in various organizations in and out the country.

Former Chair of the Finance Board Committee at NWHSA



Date of Birth: 20th March 1965

Walubengo Waningilo

Independent Member

Appointed On: 8th February 2019 Retired On: 7th February 2022

Key Qualifications

Master of Laws (LLM)

BA (HONS) In Business and Management

Post Graduate Diploma - Kenya School of Law

Work Experience

Advocate of the High Court

Managing Partner at Walubengo Waningilo & Company Advocates in Nairobi

Previously was Head of Legal Research in Magara and Company Advocates, Nairobi

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MANAGEMENT TEAM

	<p>Eng. John K. Muhia <i>Ag. Chief Executive Officer</i> Appointed on: 29th March, 2023</p> <p>Key Qualifications MSC – Water & Sanitation Registered by Kenya Engineering Technology Registration Board</p> <p>Work Experience 2023 Feb – Assistant Director Bulk Water Management 2020 May – 2022 Jan – Project Coordinator – AWWDA 1991 – 2020 – Has held various positions</p>
	<p>Secretary to the Board CS. Sharon Obonyo <i>Manager, Legal Services</i> <i>Acted as Chief Executive Officer upto 28th March, 2023</i></p> <p>Key Qualifications Advocate of High Court of Kenya Commissioner for Oaths Master of Public Policy Management (finalist) Bachelor of Laws (LLB) Post Graduate Diploma in Law (KSL)</p>
	<p>Eng. Reuben Itiko <i>Chief Engineer & In-charge Construction (Retired)</i></p> <p>Key Qualifications Bachelor of Science Degree in Civil Engineering. Registered with Engineers Board of Kenya and M.I.E.K.</p>

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	<p>CPA. Patrick Ataro <i>General Manager, Finance & Corporate Planning</i></p> <p>Key Qualifications Master’s degree in Business Administration (MBA) Finance option Bachelor of Commerce Degree (Accounting) Certified Public Accountant, CPA (K) Registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) – Membership No. 13572</p>
	<p>Duncan Ondulo <i>Manager, Infrastructure planning & Design (Coordinating Department)</i></p> <p>Key Qualifications Bsc Surveying Member of Institute of the Surveyors of Kenya</p>
	<p>CS. Joseph Ojiambo <i>Manager, Human Resource & Administration</i></p> <p>Key Qualifications Master of Business Administration degree in Human Resource Management Bachelor of Arts (Hons) degree in Economics and Sociology Postgraduate Diploma in Human Resources Management</p>
	<p>John Musyoka <i>Manager, Supply Chain</i></p> <p>Key Qualifications Executive Masters of Business Administration Bachelor of Commerce degree (Business Administration option) Diploma in Purchasing & Supplies.</p>

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 A portrait of CPA Philip Nzengu, a middle-aged man with short dark hair, wearing a light orange blazer over a blue patterned shirt. He is standing in front of a white background with the HSA logo and a map of Kenya.	<p>CPA Philip Nzengu</p> <p><i>Manager, Internal Audit</i></p> <p><i>Key Qualifications</i></p> <p>Masters Degree in Procurement</p> <p>Bachelors Degree in Finance.</p> <p>Certified Public Accountant, CPA (K) and a Registered member of the Institute of Certified Public Accountants of Kenya (ICPAK)</p>
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CHAIRMAN'S STATEMENT

Stakeholders,

As the National Water Harvesting & Storage Authority (NWHSA) Board, we appreciate all our stakeholders whom we have partnered in various ways internally and externally to meet our achievements especially during this difficult period of the Covid-19 pandemic.

Foremost is a focus on the safety and health of our staff and stakeholders. We urge all our stakeholders to keep safe by following the Ministry of Health guidelines and protocols and together we shall overcome!

We have taken initiatives to assist our clients who are under pressure as a result of the COVID-19 impact. Some of our staff who are vulnerable are working remotely, while others are on a duty rota. We have embraced the new normal by holding online meetings and changed how we engage with others in everything we do for the safety of ourselves and others.

Activities during the year

Despite the challenges of Covid- 19 pandemic, the Authority can report major milestones; we managed to record a good progress in construction of Siyoi-Muruny Dam Water Supply Project, constructed 10 small dams and pans in arid and semi-arid areas, continued to implement flood works in River Kuja, River Awase, River Nyando, River Pekerra, River Kawalase and Godha-Merti. Further, the Vision 2030 flagship project; Soin-Koru Dam in Kisumu County implementation commenced where stakeholder meetings were held and land acquisition process started.

Performance Review

The Authority's asset base has continued to grow and rose from Kshs.24.83 Billion in the financial year 2020-2021 to Kshs.35.04 Billion in the financial year 2021-2022. Further, the Authority received Kshs.2.76 Billion for Development Activities from the GoK during the financial year. The total income for the year was Kshs.1.57 Billion while the total operating expenses were Kshs.1.97 Billion compared to Kshs.0.88 Billion and Kshs.1.17 Billion during previous financial year, respectively.

Future Outlook

Cognizant of its specific mandate and role in the water sector, the Authority's 2021-2026 Strategic Plan has set a clear Vision and Mission to give direction of where the institution wants to be in the next five years.

Given its mandate as stipulated in Section 30 of the Water Act, 2016 (the Act) and its functions as stipulated in Section 32 of the Act, the Authority has committed to pursue the following Strategic Objectives, in the dispensation of this Strategic Plan:

- 1) To increase water storage in the country by 34 Million Cubic Meters and enhance sustainability of constructed water structures through operations and maintenance by the year 2022,
- 2) To protect/save lives and property from the effects of floods and drought by construction and maintenance of 70kms of dykes and 25kms of river training structures,
- 3) To mainstream cross-cutting and policy issues and align them to the legal and regulatory guidelines,

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- 4) To enhance financial sustainability, and
- 5) To improve corporate image and enhance customer service.

Going forward, we believe that implementation of the above key strategic objectives will play a major role in increasing access to clean and safe water from the current 60% to 80% by the year 2026. Among the major projects earmarked for continued funding and implementation is Soin-Koru Multipurpose Dam and Muruny (Siyoi) Dam.

Appreciation

Finally, I would like to thank the Government of Kenya through the Ministry of Water, Sanitation & Irrigation and other Government Agencies for their continued support of NWHSA development agenda and for enabling us to access financial and logistical support to enable us to put up the water infrastructure development.

I also thank my Board members for their unwavering support and appreciate them for applying their highest professional standards in carrying out the business of this Board and in decision making. Lastly, I thank all our stakeholders who include staff and management, regulators, the media, communities where our projects are located, the County Governments and the Government Administrators who have supported us in various ways.



**Rev. Dr. Samuel Thiong'o Mwangi
Chairman of the Board**

Date: 18/05/2023

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REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Financial Statements of the Authority for the period ended 30th June 2022.

During the year, the institution depicted good financial health despite operating in a very challenging environment destabilized by the Covid-19 pandemic, prolonged heavy rains and inadequate budgetary financing. The Authority faced budget constraints as it did not secure full funding from the Government as expected. Nonetheless, the management managed to surmount the challenges to meet the annual targets.

In line with Vision 2030, the Authority has finalized the construction of Kiserian Dam, Chemususu Dam, Nakue'tum Peace Dam, Kalundu Dam among others and continues to oversee construction of multi-billion storage reservoirs namely, Muruny (Siyoi) Dam Water Supply Project, Soin-Koru Multipurpose Dam, Umaa Dam and Badasa Dam. A number of dams were also planned for the year namely; Rare, Londiani, Isiolo, Rumuruti, Upper Narok and Bosto. Implementation of the Siyoi-Muruny Dam stood at a completion status of 75%. The dams form the bulk of the operating expenses of the Authority in line with its mandate.

Besides these dams, the Authority undertook flood control works across the country where dykes were constructed along River Kuja-Nyora side, Kimira – Gendo, Perkera - Murda-Kona Mbaya / Marigat High Sch, Kawalase, Awach Tende - Karachuonyo side, Nzoia, Iresaboru, Sabwani – Amuka, Nyando, Kapkakwa, Awach Tende/Maugo and constructed one check dam namely Olopito Elmasharian. Further, the Authority was allocated resources to construct/rehabilitate 7 small dams/pans in Arid & Semi-Arid areas. These are at various stages of completion. Lastly, the Authority undertook multiple projects under the Water for schools, Ground water exploitation and Cross county Programmes.

Human Resources remain the greatest asset of the Authority. In order to fully harness this important resource, the Institution organized and managed to send a number of officers at all cadres to various training as a way of building capacity. Similarly, customers and stakeholders are central to our business sustainability. Customer satisfaction is a key driver in fostering brand loyalty which leads to business growth and long-term viability.

In today's diverse and highly dynamic business environment, it has become vital to tailor communication and engagement programs to meet various stakeholder needs. In this regard we sustain mutually beneficial and strategic stakeholder interactions. This included participatory meetings and forums with all stakeholders such as investors, business partners, customers and officers from the three arms of Government.

In support of the Big Four Agenda, the Authority has played a key role in increasing access to clean and safe water. Water is a crucial enabler of the Big Four Agenda hence the need to work jointly with other agencies in the sector to ensure we achieved set targets.

The Report provides in summary the activities of the Authority for the financial year and provides a true and accurate status of the financial affairs of the Authority for the period ending 30th June 2022.


Eng. John K. Muhia
Ag. Chief Executive Officer

Date:18/05/2023.....

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STATEMENT OF THE AUTHORITY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021-2022.

National Water Harvesting & Storage Authority has Five strategic pillars and objectives within its Strategic Plan for the FY 2017-2022. These strategic pillars are as follows:

Pillar 1: Develop and Manage National Public Water Works Infrastructure

Pillar 2: Protect/Save Lives and Property from the Effects of Floods

Pillar 3: Mainstream Cross-Cutting and Policy Issues as Per Guidelines

Pillar 4: To Enhance Financial Sustainability of the Authority

Pillar 5: Improve Corporate Image of the Authority

The Authority develops its Annual Work Plan based on the above five pillars. Assessments of the Board's performance against its annual work plan is done on a quarterly basis. The table below summarizes the Authority's achievements for the financial year 2021-2022 based on the five strategic pillars.

Strategic Pillar	Objectives	Activities	Key Performance Indicators	Target by Plan Year 2021/2022	Achievements	
Develop and Manage National Public Water Works Infrastructure	1: Construction of Large and Medium size dams	Carry out stakeholder sensitization	No. of sessions held and the reports	11	6	
		Carry out feasibility studies	No. of feasibility reports	2	1	
		Carry out preliminary and final designs	No. of preliminary and final design reports	1	-	
		Undertake Resettlement Action Plans	No. of acres compensated (in '000')	4	1	
		Commence construction of Large Dam	No. of large dams construction commenced	2	1	
	2: Management of Dams 3: Operations and maintenance of dams	Large Dams constructed	Large Dams constructed	No. of large dams constructed	1	-
		Develop management framework	Develop management framework	Framework in place	-	-
		Operation & Maintenance of dams	Operation & Maintenance of dams	No. of dams Operated and Maintained	-	-

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4: Develop inter-basin and cross county water works	Carry out stakeholder sensitization (Pipeline)	No. of reports/ minutes for sensitization meetings	11	-
	Feasibility studies for bulk water pipelines	No. of feasibility study reports	2	1
	Final Designs for bulk water pipelines	No. of final design reports	1	-
	Laying of bulk water pipelines	Length (km) of bulk water pipelines laid	4	-
5: Rain Water Harvesting	Carry out stakeholder sensitization/Education	No. of reports/ minutes for sensitization meetings	2	-
	Domestication of water harvesting policy for rain water harvesting.		1	-
	Resource Mobilization and partnership development	No of partners	-	-
	Implementation	No. of rain water Catchment Infrastructures Installed	-	-
6: Develop national underground water resources (aquifers)	Carry out hydro-geological surveys	No. survey reports	-	-
	Drill & develop wells	No. of wells drilled & developed	-	-
7: Manage national underground water resources	Operation & maintenance of the infrastructure	No. of reports on Operations & Maintenance	-	-
Protect/Save Lives and Property From The Effects Of Floods				
1: Construction of flood control structures	Undertake Mapping new flood areas	No. of reports of new flood prone areas mapped	2	-
	Undertake feasibility studies for new flood areas	No. of reports of new flood areas	2	-
	Design dykes	Kilometers of dykes designed	7	6.9
	Construct dykes	Kilometers of dykes constructed	7	6.9

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Designs for river training	Length in kilometers of rivers designed	1.8	1.8
River training	Length in kilometers of rivers trained	1.8	1.8
Design and Construct check dams	No. of check dams constructed	1	1
2: Maintenance of flood control structures	KM Maintained	10	-
3: Advise CS on water resources storage and flood control strategies	No. of Check dams Maintained	1	-
	No. of Reports Prepared	1	-
Provide information on national water resources storage and flood control strategies to the CS	No. of reports prepared and forwarded to the Cabinet Secretary	1	-
Mainstream Cross-Cutting and Policy Issues As Per Guidelines			
1: Comply with Gender Mainstreaming policy as per guidelines	No. of Reports	4	4
2: Comply with disability mainstreaming policy as per guidelines	No. of Reports	4	4
3: Comply with HIV/AIDS Mainstreaming policy as per guidelines	No. of Reports	4	4
4: Comply with Alcohol, Drug & Substance Abuse Mainstreaming policy as per guidelines	No. of Reports	4	4
5: Promote National Cohesion and Integration	No. of Reports	1	1

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6: Empowerment of youth, women and persons with disability (Social-Economic factor)	Offer attachment/ internship/ apprenticeship to the youth	No. of youths offered attachment/ internship/ apprenticeship	75	75
7: Eradicate Corruption within the Authority	Offer 30% of Authority tender awards to youth, women and persons with disability	% of tender awarded	30%	130
8: Comply with legal and regulatory requirements	Implement corruption Prevention policies and Action Plans	No. of Reports	4	4
	Implement MWONGOZO code of conduct	No. of Reports	1	1
	Implement Legal and regulatory requirements	No. of Reports	1	1
	Conduct Job Evaluation	Job Evaluation Report	1	1
9: Establish offices, attract, recruit, develop and retain highly skilled staff	Implement Job Evaluation Report findings	Reviewed Job Descriptions	1	1
	Review the Organization Structure	Reviewed Organization Structure	1	1
	Review the Career Progression Guidelines	Reviewed Career Progression Guidelines	1	1
	Review of the HR Policies and Procedures Manual	Reviewed HR Policy	1	1
10: Establish offices, attract, recruit, develop and retain highly skilled staff	Conduct a Staff Gap Analysis (HR Planning)	HR Planning Report	1	1
	Conduct Training Needs Assessment (TNA)	Training Needs Assessment (TNA) Report	1	-
	Conduct and implement Training Needs Assessment (TNA) Report	Number of Staff trained	80	110

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	Competency based recruitment, placement, training and development	Number of positions recruited	3
11: Establish offices, attract, recruit, develop and retain highly skilled staff	Attractive and competitive remuneration	Salary structure review	1
	Establish and deploy staff to regional offices	Established regional offices	1
	Procurement of office furniture & Assorted equipment	Office furniture in place (Lot) & furniture & Assorted equipment	1
12: Institutionalize performance management system	Review and implement performance management system	Align Staff reward & compensation with Performance Appraisal	2
	Undertake Change management	No. of staff sensitized	20
	Maintain ISO Certification	Progress Report	1
13: Comply with ICT policy as per Government guidelines	Review and implement ICT policy	Policy in place and in use	-
	Sensitization of Staff on ICT policy	No. of staff sensitized	-
	Conduct an ICT Audit	Audit Report	-
	Acquire new computers with software and UPS	No. of computers with software and UPS acquired	16
	Acquire Internal Audit System	Internal Audit System in place	-
	Acquire Engineering Software and workbench tools	No. of Engineering software and workbench tools	-
	Implement data and system security	Data and system security in place	4

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	No. of business contracts signed	5	-
	Develop and implement an engagement framework	1	-
	Ensure growth in profit annually	52	-
	Profits Raised	-	-
	Profits Raised Amount Raised	37	-
	Develop Communication Strategy	1	4
	Implement Communication Strategy	4	-
	Brand the Authority	2	2
	Develop CSR /CSI policy	4	-
	Initiate CSR/ CSI	1	-
	Develop & implement a communication strategy	1	1
	Establish a resource center at the HQs	0	-
	Publish relevant Information, communication & education materials	100	-
Improve Corporate Image Of The Authority	1: Develop & implement a communication strategy		
	2: Enhance customer service		

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CORPORATE GOVERNANCE STATEMENT

Corporate governance is defined as the process and structure used to direct and manage business affairs of the Authority towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value while taking into account the interest of other stakeholders.

The Board of Directors is guided by best practices, international standards and principles that are essential for good corporate governance practices. The Board of Directors is responsible for the Governance of the Company and is committed to ensuring that its business operations are conducted with integrity and in compliance with the law, internationally accepted principles and the best practices of corporate governance and business ethics. The board also focuses on a corporate agenda that maximizes shareholder value and guarantees a sustainable business. To this end, the Board has ensured that policies and strategies have been put in place to ensure that the Authority's objectives aimed at promoting and protecting shareholder value are achieved.

The number of Board meetings held and the attendance to those meetings by members

The Board is responsible and accountable to the Government of Kenya, through the Ministry Water, Sanitation & Irrigation, in ensuring that the Authority complies with the law and the highest standards of corporate governance. During the period under review, the Full Board met six (6) times and attendance was as follows; -

BOARD AND COMMITTEE MEETINGS ATTENDANCE FOR THE YEAR 2021/2022

NO	NAME	NO. OF MEETINGS	MEMBERSHIP	AVERAGE ATTENDANCE%
1	FULL BOARD	6	11	98%
2	FINANCE COMMITTEE MEETING HUMAN RESOURCE & GENERAL-PURPOSE	3	4	100%
3	COMMITTEE MEETING	4	5	100%
4	GOVERNANCE, RISK & AUDIT MEETING STRATEGY, TECHNICAL BUSINESS	3	4	100%
5	COMMITTEE MEETING	5	5	100%
6	ADHOC MEETINGS	3		100%
7	OTHER MEETINGS & INVITATIONS	26		
		50		

Succession Plan

The Board is cognizant of the importance of a board succession planning policy. For purposes of information management, the e-Board software offers a secure space for electronically storing critical board documents/information which can be accessed by individual directors at any given point in time. Board appointments are undertaken by the Ministry of Water, Sanitation & Irrigation on a staggered basis to allow for continuity.

The Board Charter

The Authority has put in place mechanisms for a corporate governance framework that is outlined in the Board and Committee Charters approved by the Board.

The Board Charter which acts as a reference guide for the Directors is inspired by the dictates of good corporate governance. The framework ensures a clear division of duties and role of the Chairman and the Chief Executive Officer. It stipulates the individual and collective responsibilities, powers, duties,

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obligations and the liabilities of the Directors. It sets out the roles and responsibilities of Directors with respect to its strategic, oversight role, stewardship and fiduciary responsibilities. The Board Charter provides policy direction on issues of accountability, transparency, value addition, legitimacy, and overall credibility and business operations of the Company. The Authority observed this governance framework during the year under review.

Appointment and removal of directors

Section. 31 of the Water Act No. 43 of 2016 provides the procedure of appointment and removal of the Board of Directors.

The current Board has eleven (11) members who possess a broad range of skills and competencies, including legal, finance, human resources, economics and management among others.

Roles and functions of the Board

The primary role of the Board is to ensure long-term wealth and prosperity of the Authority for the benefit of customers, employees and other stakeholders. The Board is responsible for policy formulation; Strategic Leadership and Planning; Resource Mobilization and Project management; Decision making; Compliance and Risk Characterization; Monitoring Progress and Direction of Executive Performance.

Board Committees

The Board of NWHSA has established the following four (4) Board Committees for purposes of delegating its various functions. The Terms of Reference for the Committees are encapsulated in the specific Committee Charters approved by the Board.

i) Human Resource and General-Purpose Committee

The Committee comprises of four directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee has the duties and responsibilities of reviewing, and as appropriate, act on behalf of the Board, or make recommendations to the Board concerning staff, corporate communication, corporate social responsibility and legal issues. The Committee meets on quarterly or need basis.

ii) Finance Committee

The Committee comprises of four non-executive directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The Committee has the duties and responsibilities of developing, reviewing and monitoring implementation of the resource mobilization strategy of the Authority. The Committee meets on quarterly or need basis.

iii) Governance, Risk & Audit Committee

This Committee comprises of four non-executive directors (one of them as Chairman) and the secretary is the Chief Internal Auditor. The Board of Directors of the National Water Harvesting and Storage Authority has established the Risk & Audit Committee to discharge duties related to safeguarding the Authority's assets; operation of adequate systems; control processes and preparation of accurate financial reporting and statements in compliance with legal requirements and accounting standards. The Committee meets on quarterly or need basis.

iv) Strategy, Technical & Business Committee

The Committee comprises of four directors (one of them as Chairman) and the Chief Executive Officer as the Secretary. The responsibilities and duties are to review, and as appropriate, act on

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behalf of the Board, or make recommendations to the Board concerning planning, strategy, technical, ICT and business development issues. The Committee meets on quarterly or need basis

Induction and Training

NWWSA seeks to continuously review and develop of the Board's capacity to deliver on its mandate by regularly reviewing and advising the Board on the skills, attributes and experience required for effective governance. In this regard, the Chief Executive Officer in liaison with board members undertakes a Directors' training needs and gaps analysis and develops a board training calendar highlighting the various training programs required by the board members. Directors attend training programs based on their individual needs assessment and the Company's requirements. Benchmarking initiatives are also conducted to equip the Board with the necessary exposure required for executing the Company's mandate.

Board and member performance

It is important that the Board continually evaluates its performance against set targets. Consequently, the Board undertakes an annual evaluation of its performance and effectiveness in order to identify the areas for improvement and addresses them. The performance evaluation is conducted through the e-Board platform with the assistance of an independent party

The following key areas are covered by Board evaluations:

1. Board Processes and accountability;
2. Strategy, financial matters and performance;
3. Compliance with all legal and ethical requirements;
4. Board composition, induction, development and succession;
5. Information and communication to stakeholders;

Conflict of Interest

Board members have a statutory duty not to place themselves in a position where there is a conflict (actual or potential) between their duties to the Authority and their personal interests (including the interest of a family member), the interest of any associated organization or person, or their duties to third parties. All Board members are required to declare their interest in any matter before the Board which might create a potential conflict of interest, before such matter is considered and deliberated upon. Such a member shall then be required to excuse himself/herself from discussions and decisions on matters in which they have a conflict of interest. In the extreme case of continuing material conflict of interest, good practice requires the Director to abstain from a Board Decision.

Board Remuneration

The Directors' remuneration rates are as outlined in the State Corporations Act and by the Salaries and Remuneration Commission. The Directors' fees are paid upon invitation and attendance of board meetings. The chairman receives a monthly honorarium.

Ethics and conduct

At NWWSA, good corporate governance is engrained as a valuable contributor to the long-term success of the Company through creation of the right culture throughout the organisation. The core values of Customer Focus, Integrity, Teamwork, Innovation, Sustainability and Safety steer the Company's organizational health and decision-making processes. The Company's Code of Conduct underscores the fundamental principles and guidelines that govern the ethical and legal obligations of all employees and the Board of NWWSA. The Code of Conduct is premised on the Constitutional Provisions of Chapter Six (Leadership and Integrity), National Values, Public Officers Ethics Act and

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other relevant legislation governing the conduct of Public Officers. During the year under review, the Company initiated a Staff Culture Transformation exercise and conducted baseline surveys to foster a positive work culture that aligns its business ethics to prevailing dynamic operating environment. The Company is cognizant of the need to conduct its business in compliance with relevant legal and regulatory principles in order to entrench high ethical standards of business practice. At NWHSA, observation of the code and high standards of integrity is a mandatory requirement and employees are expected to observe the highest standards of professionalism. Each employee understands the need to embrace and practice good governance of the Company and to maintain its reputation for integrity both within and outside the workplace.

Governance Audit

Conformity with governance parameters as set out in the Constitution, applicable laws and best practices is a requirement under the *Mwongozo* Code of Governance which provides guidance on governance within State Authority's. Governance Audit therefore entails review of governance structures, policies and practices to ensure they are in conformity with highest standards of good governance.

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MANAGEMENT DISCUSSION AND ANALYSIS

a. Financial Performance Highlights

The Authority's financial performance recorded a dip in profitability by 426.08% from Kshs.(569.70 Million) in 2020-2021 to Kshs.(2,997.11 Million) in 2021-2022. This was majorly due to the Increase in Provision for Doubtful debts and Impairment Loss arising from revaluation losses on the Authority's assets.

Table 1: Financial Performance Highlights

Surplus/Deficit For the Year			Change in Income		
2021-2022	2020-2021	2019-2020	2021-2022	2020-2021	2019-2020
Kshs	Kshs	Kshs	%	%	%
(2,997,114,587)	(569,703,026)	(193,869,537)	426.08	193.86	25

i. Income

The Authority received a recurrent exchequer of Kshs.415,750,003 from the Parent Ministry against a budgeted amount of Kshs.383,000,000. The difference of Kshs.32,750,000.00 was the June 2022 grant that was received in the current year under review.

A gross amount of Kshs.89,987,109 was collected from Rental Income, Insurance Compensations, Disposal of Obsolete Assets and Interest on Deposits held on a day-to-day basis at the Authority's 5 active bank accounts domiciled at the Kenya Commercial Bank. This was against an expected collection of Kshs.100,000,000. This underachievement was as a result of a depressed business environment especially under the Business Unit segment. Counties are the Authority's main clients but they were experiencing cash flow problems and this affected the Authority adversely.

ii. Expenses

The increase in the expense for Use of Goods and Services compared to the previous year was as a result of inclusion of accrued pending bills on the Security Cost and a huge increase of the legal fees owing to an increase in the number of court matters requiring legal representation. As a result, the Authority engaged external lawyers as it did not have sufficient Legal capacity.

The Year-to-year decline in Employee Costs was attributed to a one-off payment of employee salary arrears in the previous financial year, which had been occasioned by approved employee salary increments.

There was only a marginal increment in the Directors' costs.

The increase in the depreciation from the fy 2020-2021 was due to additional assets taken in during the year.

The 201% increase in the expenses classified as Grants and Subsidies, was as a result of a significant rise in the Court Awards related to Capital Projects and expensing of Large Dams which related to projects that had remained dormant due to non-receipt of funding.

Further, under Dykes and Canals, some expenses had been wrongly classified and were thus excluded from the Capital Work in Progress for Dykes.

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The tax expenses declined by 92.69% compared to the FY 2020-2021 since the Authority had already expensed the entire amount of outstanding tax installments as had been agreed between the Authority and KRA in the Alternative Disputes Resolution Agreement dated 5th February 2021. The Tax assessment was as a result of an audit by the KRA for the period between 2010-2016.

Lastly, there was a provision for doubtful debts of Kshs.40.23million. This was attributed to increased impairment of the rent receivables and business unit debtors. The Authority provides for doubtful debts when they age over 90 days.

iii. Position Highlights

The Authority's financial position statement is funded strongly by Revaluation Reserves of Kshs.821.09 Million, Accumulated Deficit of Kshs.4,266.11 Million and a Capital Fund of Kshs.37,021.15 Million.

The increase in Revaluation Reserves by 141% was as a result of a revaluation done during the year on the Authority's PPE. In addition, the Capital fund had increased as a result of development grants receipt of Ksh. 2,757,500,000 net of the grants recognized as other income. However, the Accumulated Reserves declined further by 236% mainly attributed to non-cash based expenses including Revaluation Losses of Kes.2.543 Billion, Depreciation & Amortization Costs of Kes.253.89 Million and Increase in the provision for bad debts of Kes.40.228 Million as well as undercollection of A.I.A.

The Cash Balances were Kes.569,834,241 majorly attributed to Development transactions that cleared on the day after the 30th June 2022 cut-off date.

The Receivables from Exchange Transactions increased by 17%. Despite the Authority recovering the entire Kshs.258,048,749 that had been advanced to the Muruny (Siyoi) Dam contractors as had been provided in the contracts, it also reclassified Kes.501,763,713.00 which had been advanced to the National Land Commission for compensation of Project Affected Persons whose land had been acquired for the construction of Soin-Koru Dam by increasing the Trade Receivables and decreasing the Capital Work in Progress under PPE. Further, there was an increase provision of doubtful debts on the rent receivables and business unit debtors.

The Receivables from Non-Exchange Transactions declined by 15%. This was mainly caused by a decline in the Temporary Advances to Staff as more outstanding imprests had been surrendered.

The Authority posted a robust Property Plant & Equipment with a book value (revaluation value less depreciation) of Kshs.33,374,314,188. This was an increase of 40%, compared to the previous year. This was attributed to increased revaluation values of the HQ Land & Other Lands, Motor Vehicle and Cycles, Office Computers & Peripherals, Office Equipment and Infrastructural Assets (other than Large Dams).

The Authority recognized Assets which had been excluded from the Authority's Asset Register. These assets had been removed from the Authority's books in the FY 2005-2006 as the Authority had been required to comply with the Water 2002. On 12th August 2005, the then Minister for Water and Irrigation gazetted (through Legal Notice No. 101 in the Kenya Gazette Supplement No. 61) the water (plan of transfer of water services) rules, 2005) to guide on the enactment of the Water Act 2002. The Notice required that the Authority finalizes the transfer of certain roles relating to sale of water to Water Service Boards in their jurisdictions. The transfer was to be in the form of signed transfer agreements.

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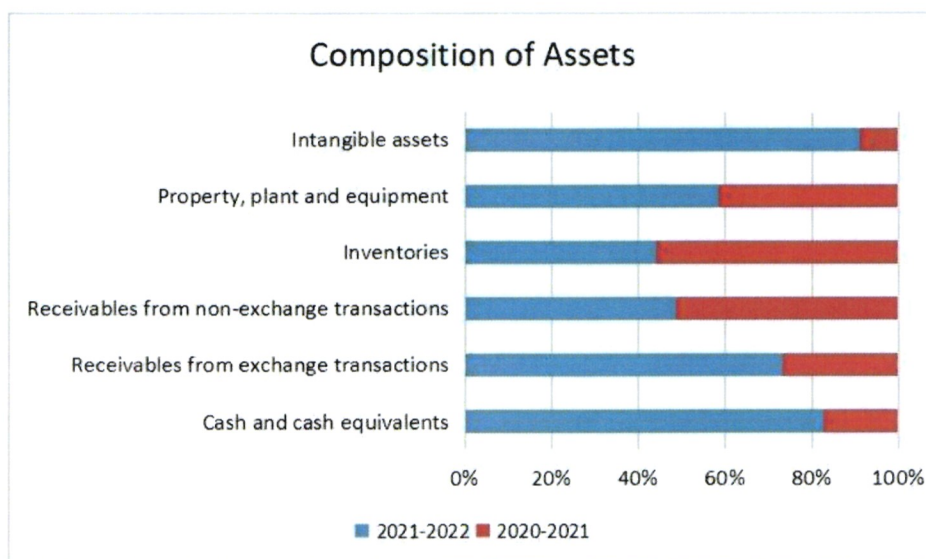
In compliance with the Water Act 2002, the Authority initiated the process of transferring these assets and liabilities as per the transfer plan where a road map under table 3 had indicated the completion dates of the transfer as 30th June 2006. However, none of the Water Service Boards signed the drafted transfer agreements. Since the signing of the transfer agreements had taken longer than the prescribed period and the fact that the assets were no longer in the possession of the Authority, it was prudent to exclude them from the books of accounts.

This accounting treatment had been the subject of a long outstanding query by the Auditor General. The matter was addressed at the Public Investments Committee of the National Assembly where the Committee recommended (in its 19th Report) that the Assets be included in the Authority’s books of account until the transfer agreements are finalized. As such, the Management has included the assets – at fair value as contained in The Asset Valuation Report of April 2022 - under the classes of HQ Land & Other Lands & Infrastructural assets.

The intangible assets included an expense for the Dynamics NAV Accounting system from Microsoft that the Authority had acquired and was implementing. The implementation status was at 70%.

The 17% decline in the Trade and Other Payables from Exchange Transactions was majorly due to a decrease in the Trade Payables. This followed significant payment of pending bills during the period under review.

Composition of Assets during the Year



The Development Budget was to be utilized on Muruny (Siyoi) Dam Water Supply Project, Soin-Koru Dam, Umaa Dam, Badasa-Songa Dam, Igembe Water project, Flood Control and Boreholes. As such, the following projects were implemented during the year were:

- Muruny (Siyoi) Dam Water Supply Project– West Pokot County,
- Soin-Koru Dam Water Project – Kisumu County,
- Umaa Dam – Kitui County,
- Badasa-Songa Dam – Marsabit County,
- Igembe Water Project – Tharaka Nithi County,
- River Awase Flood Control – Homabay County,

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- River Nzoia Flood Control – Busia County,
- River Nyando Flood Control – Kisumu County,
- River Kawalase Flood Control – Turkana County,
- Narok Flood Control - Narok County,
- Sabwani Flood Control - Transzoia County,
- River Perkerra Flood Control - Baringo County,
- Iresaboru Flood Control - Isiolo County,
- River Kuja Flood Control – Migori County, and
- Water for Schools, Cross County and National Water Harvesting & Exploitation Programme Boreholes

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Authority has the obligation to plan, design, construct and maintain the country's dams and mitigate the effects of floods. This primary objective must; however, be twinned with positive impacts to societies that such businesses operate in. These positive impacts include creation of employment opportunities, provision of goods and services, contribution to the economy by paying taxes, contributing towards development of infrastructure and improvement of quality of life for the people.

NWWSA, being an obliging and proactive company, has mainstreamed corporate social responsibility (CSR) in its operations. Beyond grid matters, the company has expanded its jurisdiction to improve the well-being of humanity and impact society to be better.

This deliberate move is necessary because it is the society that gives us a "license to operate" and their goodwill is necessary for continued security and room to operate long after our transmission projects construction is over.

Our approach

NWWSA's approach towards CSR is focused on identifying and formulating projects guided by its CSR policy and in response to specific needs that go towards solving a problem that members of the concerned community assess as a priority. To this end, the Authority consulted widely internally and beyond on best practices in order to make corporate social responsibility an integral part of its undertakings. During the financial year under review, social, economic and environmental issues were addressed

Below is a brief highlight of our achievements in each pillar

1. Social sustainability strategy and profile

NWWSA ensured that its operations were carried out professionally and in humane manner, considering that construction of dam and flood control projects involve acquisition of land for project sites and wayleaves access for the infrastructure. This necessitates compensation and at times resettlement of the Projects Affected Persons (PAPs) hence the need to expedite the process harmoniously. In addition, NWWSA actively participated in several engagements with various stakeholders towards improving their quality of life which translates into creating a better society. This was evident in key areas such as water, health and environmental conservation.

In addition, NWWSA offered youth internship opportunities to fresh graduates and industrial attachments to ongoing University students for the purpose of transferring skills and future career preparation.

2. Environmental Sustainability performance

The Authority's environmental and social impact assessment plans are anchored on environmental laws, regulations, standards and best practices. The Authority ensures compliance with all relevant national and international environmental and other statutory regulatory provisions that apply to its projects to ensure sound environmental management practice. The

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Authority ensures that all projects have a component of planting trees and maintaining the same to full maturity.

3. Employee welfare

Competence management

During the year ended 30 June 2020, the Authority trained various cadres of staff to improve the competency levels. The Authority also paid professional fees to professional bodies and facilitated training and conferences for staff members.

Safety and security measures

During the year ended 30 June 2020, the Authority procured protective gear for technical staff who are engaged in project implementation. Further, Internal audit of the Information Security Management System (ISMS) and backups for the data centre were also undertaken in the period.

4. Market place practices

NWWSA complied with 30% of access to government procurement opportunities (AGPO) requirement by ensuring that Youth, Women and Persons with disabilities supplied goods and services. Further, NWWSA complied with 40% Government requirement on local content procurement where goods and services were procured locally by the company. These procurement opportunities have created diverse financial benefits for the special groups as well as enhancing the NWWSA corporate image and reputation.

5. Market place practices

The Authority continued implementing corruption prevention measures as identified in the corruption risk assessment and mitigation plan. The Integrity Committee quarterly meetings were held. Quarterly reports of the corruption risk assessment reports and the implementation of the mitigation plans were prepared and submitted to EACC.

6. Community engagements

NWWSA has remained committed to engaging with local communities in project affected areas, the general public, sector partners and other stakeholders aiming at cultivating their goodwill, cooperation and amicable association. In this regard, NWWSA ensured that all CSR projects were implemented through a consultative process with stakeholders' right from the initial project planning through to commissioning.

**National Water Harvesting & Storage Authority
Annual Report and Financial Statements
for the year ended June 30, 2022**

REPORT OF THE DIRECTORS

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

Principal activities

The principal activities of the Authority are (continue to be):

- a) Undertake on behalf of the national government, the development of national public water works for water resources storage and flood control;
- b) Maintain and manage national public water works infrastructure for water resources storage;
- c) Collect and provide information for the formulation by the Cabinet Secretary of the national water resources storage and flood control strategies
- d) Develop a water harvesting policy and enforce water harvesting strategies;
- e) Undertake on behalf of the national government strategic water emergency interventions during drought; and
- f) Advise the Cabinet Secretary on any matter concerning national public water works for water storage and flood control.

Results

The results of the Authority for the year ended June 30, 2022 are set out on page 1-44

Directors

The members of the Board of Directors who served during the year are shown on page ix to xv.

Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year 2021 and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Authority for the year ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015.

By Order of the Board



**Eng. John K. Muhia
Ag. Chief Executive Officer
Nairobi**

Date:..... *K2/08/2023*

National Water Harvesting & Storage Authority
Annual Report and Financial Statements
for the year ended June 30, 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.


The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS Accrual), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2022, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

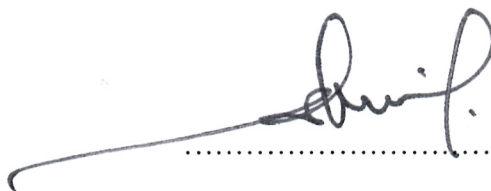
Approval of the financial statements

The Authority's financial statements were approved by the Board on 29th September 2022 and signed on its behalf by:



.....

Chairperson of the Board



.....

Chief Executive Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL WATER HARVESTING AND STORAGE AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Water Harvesting and Storage Authority set out on pages 1 to 39 which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of

Report of the Auditor-General on National Water Harvesting and Storage Authority for the year ended 30 June, 2022

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of National Water Harvesting and Storage Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Water Act, 2016 and Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Parcels of Land Without Ownership Documents

The statement of financial position reflects property, plant and equipment balance of Kshs.33,374,314,188 which as reflected in Note 24 to the financial statements includes an amount of Kshs.4,634,900,000 relating to ninety-three (93) parcels of land. However, fourteen parcels have been encroached.

Further, out of Kshs.4,634,900,000, only land valued at an amount of Kshs.1,040,500,000 have ownership documents leaving a balance of land valued at Kshs.3,594,400,000 with no ownership documents.

In the circumstances, accuracy, completeness and ownership of land amounting to Kshs.4,634,900,000 could not be confirmed.

2. Anomalies in Legal Expenses

2.1 Unsupported Payments of Legal Fees to Auctioneers

The statement of financial performance reflects use of goods and services amount of Kshs.284,633,786 and as disclosed in Note 10 to the financial statements which includes Kshs.57,532,652 in respect to legal fees. Review of legal expenses revealed that expenditure amounting to Kshs.7,756,934 was paid out to seven (7) auctioneers as a result of court cases arising from non-payment of pending bills by suppliers. However, these payments were made without a budget, supporting documents and authority from the parent Ministry.

2.2 Over-Expenditure in Legal Expenses

The statement of financial performance reflects use of goods and services amount of Kshs.284,633,786 and as disclosed in Note 10 to the financial statements which includes legal fees amounting to Kshs.57,532,652(2021:13,667,524). Review of legal expenses revealed that the Authority exceeded the allocated budgeted amounts of

Kshs.13,150,000 to Kshs.57,532,652 resulting to an unexplained variance of Kshs.44,382,652.

In the circumstances, accuracy, completeness and regularity of legal fees amounting to Kshs.57,532,652 could not be confirmed.

3. Trade and other Payables from Exchange Transactions

3.1 Long Outstanding Trade Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.1,456,667,907 as disclosed in Note 26 to the financial statement. Included in the balance is an amount of Kshs.866,566,153 which relates to trade payables out of which amounts of Kshs.8,577,882 and Kshs.553,149,189 all totaling to Kshs.561,727,071 have remained outstanding for more than 60 and 90 days, respectively. Further, some of the trade payables date back to the year 2016 and are now over six (6) years old. Further, no statements or acknowledgment from the creditors were presented for audit.

In the circumstances, accuracy, and completeness of the trade payables balance of Kshs.866,566,153 could not be confirmed.

3.2. Long Outstanding Retention Held on Behalf of Suppliers

Note 26 to the financial statements reflects a trade and other payables from exchange transaction balance of Kshs.1,456,667,907 which includes an amount of Kshs.555,583,746 in respect of retention monies held on behalf of suppliers. These are monies deducted from contractors and deposited to the retention account. Review of the retention account as disclosed under Note 20(b) revealed a balance of Kshs.117,403,192 resulting to an unexplained variance of Kshs.438,180,554 an indication that retention moneys have been utilized for other activities. However, Management did not explain how the retention monies will be settled as and when they fall due.

In the circumstances, accuracy and completeness of the retention monies amounting to Kshs.555,583,746 could not be confirmed.

3.3 Long Outstanding Advance Payments

Note 26 to the financial statements reflects trade and other payables from exchange transaction balance of Kshs.1,456,667,907 out of which an amount of Kshs.30,310,302 relates to advance payments by customers. However, the advance payments totalling to Kshs.30,310,302 have been outstanding for over ninety (90) days and no evidence of business development projects status report was provided for audit.

In the circumstances, accuracy, completeness, and propriety of advance payments amounting to Kshs.30,310,302 could not be confirmed.

3.4. Long Outstanding Third-Party Payments

The statement of financial position reflects a trade and other payables from exchange transaction balance of Kshs.1,456,667,907 and as disclosed under Note 26 which includes Kshs.3,617,599 that relates to third party payments such as income tax deduction on consultancies, VAT Withheld, PAYE, NSSF, NHIF, employee Sacco deductions and other salary deductions that have been outstanding and have not been remitted to the relevant authorities for over 6 years. Further, no supporting documents for the deductions were provided for audit.

In the circumstances, accuracy, completeness, and propriety of trade payables in respect of third-party payments amounting to Kshs.3,617,599 could not be confirmed.

4. Long Outstanding Reconciling Items

The statement of financial position reflects cash and cash equivalent balance of Kshs.569,834,241 as disclosed in Note 20 to the financial statements. Review of the bank reconciliation statements revealed unposted and undercast items in the cash book from prior years that have not been reconciled as shown below.

Account Name	Account No.	Description	Amount Outstanding (Kshs.)
Special Account	1114279978	Unposted Items-June 2016	2,133,280
Development Account	1114280593	Unposted Items-June 2009	24,671,142
Recurrent Account	1114280488	Cashbook Undercast	1,956,997
Recurrent Account	1114280488	Unposted Items 2006-2009	5,056,008
Special Account	1114279978	Unposted Items	2,133,280

In the circumstances, the accuracy and completeness of the cash and cash equivalent balance of Kshs.569,834,241 could not be confirmed.

5. Material Uncertainty Related to Sustainability of Services

The statement of financial performance reflects deficit for the year of Kshs.2,997,114,587 (2021: deficit 569,703,026). The Authority recorded accumulated deficit of Kshs.4,266,117,051 from deficit of Kshs.1,269,002,463 recorded in the year 2021. Further, although the current liabilities of Kshs.1,442,068,463 do not exceed the current assets of Kshs.1,646,308,364, the receivables from exchange transactions balance of Kshs.1,002,170,075 includes trade receivables totalling to Kshs.961,867,363 that are over sixty (60) days old and are therefore not considered as current assets.

This material uncertainty in relation to sustainability of services and mitigating measures to reverse the undesirable precarious financial position have not been disclosed in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Water Harvesting and Storage Authority 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

Litigation Expenses as Contingent Liabilities

Note 31 to the financial statements reflects a balance of 328,668,387 as contingent liabilities in respect of court judgements, arbitral awards and legal fees. A sample of four (4) cases audited revealed that the authority incurred unnecessary litigation interest of Kshs.87,186,779 against the principal amounts of Kshs.106,084,855 which is 82% of the principal amount. Continued payments of litigation interest will adversely affect the operations of the Authority.

In the circumstance, my opinion is not modified 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.

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, these issues remain unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Overcommitment of Salaries above 2/3 Limit

Review of the payroll data for financial year 2021-2022 revealed some employees' deductions did not conform to the two-thirds (2/3) limit with the highest number of eight officers being reported in the month of December 2021.

This is contrary to Human Resource Management policies and Procedures of February 2022 section 3.4.6 which stipulates that employees of the Authority shall not over commit their salaries beyond two thirds (2/3) of their basic salaries and the Officer responsible for Human Resource Management should ensure compliance.

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

2. Budget Over-Expenditure

The statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis amounts of Kshs.483,000,000 and Kshs.508,927,112 respectively, resulting to over-funding amounting to Kshs.25,927,112 or 5% of the budget. However, the Authority spent an amount of Kshs.3,506,041,699 against budgeted expenditure amount of Kshs.483,000,000 resulting to an over-expenditure of Kshs.3,023,041,699 or 626 % of the budget. The Authority operated over and above the approved budget for the year contrary to the Appropriation Act, 2018, the Supplementary Appropriation Act, 2018 and Section 43 (b) of Public Finance Management Regulations, 2015 which provides that an Accounting Officer shall ensure that public funds entrusted to their care are applied for purposes for only which they were intended and appropriated by the National Assembly.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Non-Renewal of Lease Agreements

The Authority entered into a lease agreement with the Nairobi water and sewerage Company limited on 1 December, 2016 for a period of five (5) years. This lease agreement expired on 1 December, 2021. The Authority also entered into another agreement with the Board of Trustees of the National Environment Trust Fund on 5 December, 2017 which also expired in December, 2022. However, there was no evidence of renewal of the contracts for the two (2) tenants while the tenants are still in the premises.

In the circumstances, there is possibility of loss of funds due to lack of enforcing lease agreement.

2. Un-Approved Board Charter

Review of the board records revealed that the Authority has an unapproved board charter. This is contrary to Mwongozo Parameter 1.11 which states that the Board should develop and adopt a Board Charter that defines the role, responsibilities and functions of the Board in the governance of the organization.

In the circumstances, the effectiveness of governance system in the Authority could not be confirmed.

3. Lack of a Transport Policy

Review of transport operations in the Authority revealed that the Authority does not operate an approved Transport Policy contrary to the human resource policies and procedures manual and best practice. This is contrary to Section 68 2(b) of the Public Finance Management Act, 2012 which requires that an accounting officer should ensure that the entity keeps financial, accounting and other records that comply with the act and which can support all the payments and activities undertaken.

In the circumstances, efficiency and effectiveness of the transport systems could not be confirmed.

4. Lack of a Risk Management Policy

Review of the internal controls and strategies of the Authority revealed that the Authority had no Risk Management Policy in place to guide in the risk ranking of all the functions of the authority. This is contrary to The Public Finance Management (National Government Regulations) 2015 that under Regulation 165. (1) states that the Accounting Officer shall ensure that the national government entity develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations

In the circumstances, risk management strategies used in effecting internal controls could not be confirmed.

5. Lack of a Disaster Recovery Plan

Review of the security processes and strategies revealed that the Authority had no Disaster Recovery Plan in both hard and soft copy. The Authority is thus exposed to loss of data and information system in case of an external attack on its system which will result to disruption of the systems and data loss.

In the circumstances, safety of the Authority's data and information system could not be confirmed.

6. Lack of a Policy Document in the Business Development Unit

Review of the Business Development Unit records revealed that the Authority does not have a policy document to guide the operations of the Business Development Unit. This is contrary to Regulation 165 (1) of the Public Finance Management Regulations of 2015 which states that the Accounting Officer shall ensure that the national government entity develops a system of risk management and internal control that builds robust business operations.

In the circumstances, risk management and internal control that builds robust business operations controls could not be confirmed.

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are

in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 Authority's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 Authority'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 Authority 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 Authority 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

14 June, 2023

National Water Harvesting & Storage Authority
Annual Report and Financial Statements
for the year ended June 30, 2022

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2022

	Notes	2021-2022 Kshs	2020-2021 Kshs
Revenue from non-exchange transactions			
Transfers from other governments	5	415,750,003	360,250,000
		415,750,003	360,250,000
Revenue from exchange transactions			
Rendering of services	6	12,072,958	94,626,697
Rental revenue from facilities and equipment	7	46,011,891	56,970,074
Finance income - external investments	8	31,902,261	15,879,399
Other income	9	1,069,094,338	354,365,788
		1,159,081,447	521,841,958
Total revenue		1,574,831,450	882,091,958
Expenses			
Use of goods and services	10	284,633,786	236,651,386
Employee costs	11	339,460,613	357,866,199
Remuneration of directors	12	31,799,266	31,115,409
Depreciation and amortization expense	13	253,894,289	191,328,887
Repairs and maintenance	14	1,603,674	2,143,643
Grants & Subsidies	15	1,065,864,338	354,265,788
Total expenses		1,977,255,965	1,173,371,310
Other gains/(losses)			
Loss on Disposal	16	40,000	0
Taxation	17	11,366,677	155,411,004
Increase in Provision for Doubtful debts	18	40,228,693	123,012,669
Impairment Loss	19	2,543,054,702	0
Surplus/Deficit for the Period		(2,997,114,587)	(569,703,026)
Remission to National Treasury		0	0
Net Surplus (deficit) for the Period		(2,997,114,587)	(569,703,026)

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


Ag. Chief Executive Officer

Eng. John K. Muhia


Head of Finance

CPA Patrick Ataro
 ICPAK Member
 Number: 13572


Chairman of the Board

Rev. Dr. Samuel Thiong'o Mwangi

Date: 18/05/2023

Date: 17/05/2023

Date: 18/05/2023


National Water Harvesting & Storage Authority
Annual Report and Financial Statements
for the year ended June 30, 2022

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2022

	Notes	2021-2022 Kshs	2020-2021 Kshs Restated
Assets			
Current assets			
Cash and cash equivalents	20	569,834,241	119,004,528
Receivables from exchange transactions	21	1,002,170,075	855,672,997*
Receivables from non-exchange transactions	22	53,490,889	63,027,411
Inventories	23	20,813,159	26,488,082
Total Current Assets		1,646,308,364	1,064,193,018
Non-current assets			
Property, plant and equipment	24	33,374,314,188	23,759,293,531
Intangible assets	25	17,571,175	1,706,734
Total Non-current assets		33,391,885,363	23,761,000,265
Total assets		35,038,193,727	24,825,193,283
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	26	1,456,667,907	1,757,792,931*
Current Provisions	27	5,400,556	3,000,000*
Total Current liabilities		1,462,068,463	1,760,792,932
Total liabilities		1,462,068,463	1,760,792,932
Net assets		33,576,125,264	23,064,400,352
Revaluation Reserves		821,091,795	341,137,958
Accumulated Surplus/Deficit		(4,266,117,051)	(1,269,002,463)
Capital Fund		37,021,150,519	23,992,264,857
Total net assets and liabilities		33,576,125,263	23,064,400,351

* Refer to Note 36 for the Restated Values

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



Ag. Chief Executive Officer

Eng. John K. Muhia



Head of Finance

CPA Patrick Ataro

ICPAK Member

Number: 13572



Chairman of the Board

Rev. Dr. Samuel Thiong'o Mwangi

Date: 12/05/2023

Date: 17/05/2023

Date: 18/05/2023

National Water Harvesting & Storage Authority
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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2022

	Revaluation Reserves Kshs	Accumulated Deficit Kshs	Capital/ Development Grants/Fund		Total Kshs
				Kshs	
At 1 July, 2020	358,080,032	(715,891,438)	21,902,030,645		21,544,219,239
Prior year adjustment:					0
Writeback of Accumulated Depreciation on Leasehold Land		16,592,000			16,592,000
Adjusted Balance as at 1 July, 2020	358,080,032	(699,299,438)	21,902,030,645		21,560,811,239
Total comprehensive income	0	(569,703,026)	0		(569,703,026)
Depreciation - Amortized	(16,942,074)	0	0		(16,942,074)
Capital/Development grants received during the year	0	0	2,444,500,000		2,444,500,000
Recognised as Other Incomes			(354,265,788)		(354,265,788)
At 30 June 2021	341,137,958	(1,269,002,463)	23,992,264,857		23,064,400,351
At 1 July, 2021	341,137,958	(1,269,002,463)	23,992,264,857		23,064,400,351
Total comprehensive income	0	(2,997,114,587)	0		(2,997,114,587)
Depreciation - Amortized	(171,189,054)	0	0		(171,189,054)
Gain on Revaluation (Refer to Note 24)	651,142,891	0			651,142,891
Recognition of Omitted Assets (Refer to Note 24)	0	0	11,337,250,000		11,337,250,000
Development grants received during the year	0	0	2,757,500,000		2,757,500,000
Recognised as Other Incomes	0	0	(1,065,864,338)		(1,065,864,338)
At 30 June 2022	821,091,795	(4,266,117,051)	37,021,150,519		33,576,125,263

Notes:


The amortized depreciation consists of depreciation on previously revalued assets under the classes: Buildings & Other Developments, Plant & Field Equipment, Motor Vehicles & Cycles, Furniture & Fittings, Office Equipment, Office Computers & Peripherals and Infrastructural Assets (Large Dams & Medium Sized Dams). Any additional assets' depreciation that had not been revalued has been included in the Total Comprehensive Income.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2022

	Notes	2021-2022 Kshs	2020-2021 Kshs
Cash flows from operating activities			
Receipts			
Transfer from other governments	5	415,750,003	360,250,000
Rendering of services	6	46,219,219	59,738,794
Rental revenue from facilities and equipment	7	31,387,624	50,574,612
Finance income - external investments	8	27,395,390	15,879,399
Other income	9	854,491,247	68,018,733
Total Receipts		1,375,243,484	554,461,539
Payments			
Use of goods and services	10	272,774,863	251,251,309
Employee costs	11	356,180,737	357,344,811
Remuneration of directors	12	31,799,266	31,115,409
Repairs and maintenance	13	1,603,674	2,143,643
Grants & Subsidies	14	1,342,290,491	(157,661,303)
Loss on Disposal	16	40,000	0
Taxation	17	730,151	155,411,004
Total Payments		2,005,419,181	639,604,872
Net Cash generated from/(used in) Operating Activities	28	(630,175,697)	(85,143,333)
Cash flows from investing activities			
Purchase of PPE and intangible assets	24&25	(1,890,715,790)	(2,256,600,102)
Disposal/Transfer of PPE and intangible assets		1,280,085,537	0
Net cash flows used in investing activities		(610,630,253)	(2,256,600,102)
Cash flows from financing activities			
Receipts from Government grants		1,691,635,662	2,090,234,412
Net cash flows used in financing activities		1,691,635,662	2,090,234,412
Increase/(Decrease) in cash and cash equivalents		450,829,712	(251,509,023)
Cash and cash equivalents at 1 July	20	119,004,528	370,513,551
Cash and cash equivalents at 30 JUNE		569,834,241	119,004,528

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:


Ag. Chief Executive Officer

Eng. John K. Muhia



Head of Finance

CPA Patrick Ataro

ICPAK Member

Number: 13572



Chairman of the Board

Rev. Dr. Samuel Thiong'o Mwangi

Date: 18/05/2022

Date: 17/05/2022

Date: 18/05/2023

National Water Harvesting & Storage Authority
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2022

Revenue	Original budget 2021-2022 Kshs	Adjustments 2021-2022 Kshs	Final budget 2021-2022 Kshs	Actual on comparable basis 2021-2022 Kshs	Performance difference 2021-2022 Kshs	% of utilization 2021-2022 %
Government grants and subsidies - recurrent	383,000,000	0	383,000,000	415,750,003	(32,750,003)	108.55%
Other income A.I.A	100,000,000	0	100,000,000	93,177,109	6,822,891	93.18%
Total income	483,000,000	-	483,000,000	508,927,112	(25,927,112)	105.37%
Expenses						
Use of goods and services	100,400,000	0	102,056,379	284,633,786	(182,577,407)	278.90%
Employee costs	350,000,000	0	347,893,621	339,460,613	8,433,008	97.58%
Remuneration of directors	32,000,000	0	31,200,000	31,799,266	(599,266)	101.92%
Depreciation and amortization expense	0	0	0	253,894,289	(253,894,289)	
Repairs and maintenance	600,000	0	1,850,000	1,603,674	246,326	86.69%
Increase in Provision for Doubtful debts	0	0	0	40,228,693	(40,228,693)	
Taxation	0	0	0	11,366,677	(11,366,677)	
Impairment Loss	0	0	0	2,543,054,702	(2,543,054,702)	
Total expenditure	483,000,000	-	483,000,000	3,506,041,699	(3,023,041,699)	725.89%
Deficit for the period	-	-	-	(2,997,114,587)	2,997,114,587	

Notes:

- i) The recurrent grant over utilization was as a result of receipt of the June 2021 Recurrent grant during the period under review.
- ii) The Other income A.I.A's utilization of 93.18% was as a result of a depressed business environment especially under the Business Unit segment. The Counties which are the Authority's main clients were experiencing cash flow problems and could thus not contract out new works to the Authority.
- iii) The Use of Goods and Services utilization of 278.90% was mainly due to inclusion of expenses related to rendering of services expenses which related to expenditure incurred to help generate supplementing income to the main revenue source (Govt Grant). Further, the expenses on Security Costs includes accrued pending bills. Still, the Authority experienced a huge legal fees expense as there was an increase in the number of court matters requiring legal representation and thus external legal services were sought as the Authority did not have sufficient Legal capacity.
- iv) The employee costs and remuneration to the directors had marginal variances.
- v) The Impairment Loss was as a result of revaluation loss on revalued PPE.
- vi) The tax expense was as a result of a VAT on Rental Income and Income tax on Interest earned on cash balances in the Authority's Bank Accounts.

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Reconciliation

	a; Kes.	Financing Kes.	Investing Kes.	Total Kes.
Amounts on comparable basis as presented in the Budget and Actual Comparative Statement	(2,997,114,587)	-	-	(2,997,114,587)
<i>Adjustments:</i>				-
Depreciation and amortization expense	253,894,289	-	-	253,894,289
Impairment Losses	2,543,054,702	-	-	2,543,054,702
Increase in Provision for Doubtful debts	40,228,693	-	-	40,228,693
Gain on Disposal of Assets	-	-	-	-
Actual amounts on comparable basis as presented in the Budget and Actual Comparative Statement	(159,936,903)	-	-	(159,936,903)
<i>(Basis Differences)</i>				
Receipts from Government grants	-	1,691,635,662	-	1,691,635,662
Purchase of PPE and intangible assets	-	-	(610,630,253)	(610,630,253)
Net receipts from Receivables from exchange transactions	(186,725,771)	-	-	(186,725,771)
Net receipts from Receivables from non-exchange transactions	9,536,522	-	-	9,536,522
Net Payments for Inventories	5,674,923	-	-	5,674,923
Net Payments for Trade and other payables from exchange trans Current Provision	(301,125,024)	-	-	(301,125,024)
Current Provisions	2,400,556	-	-	2,400,556
Total Basis Differences	(470,238,794)	1,691,635,662	(610,630,253)	610,766,615
				-
Timing Differences	-	-	-	-
				-
Total Entity Differences	-	-	-	-
				-
Actual Amounts in the Statement of Cash Flows	(470,238,794)	1,691,635,662	(610,630,253)	450,829,712

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

National Water Harvesting and Storage Authority is established by and derives its authority and accountability from Water Act 2016. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activities are:

- Undertake on behalf of the national government, the development of national public water works for water resources storage and flood control;
- Maintain and manage national public water works infrastructure for water resources storage;
- Collect and provide information for the formulation by the Cabinet Secretary of the national water resources storage and flood control strategies;
- Develop a water harvesting policy and enforce water harvesting strategies;
- Undertake on behalf of the national government strategic water emergency interventions during drought; and
- Advise the Cabinet Secretary on any matter concerning national public water works for water storage and flood control.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS Accrual) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Authority's Act and International Public Sector Accounting Standards (IPSAS Accrual). The accounting policies adopted have been consistently applied to all the years presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

ii) Revenue from exchange transactions

Rendering of services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

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Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Authority's right to receive payments is established.

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.

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly on May 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. Upon receipt of the supplementary budget, the Authority's capital expenditure allocation was reduced from Ksh 3.325Billion to Ksh 1.78Billion

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are de-recognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

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 Authority 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.

Depreciation

The straight-line method of depreciation is used. This allocates the cost of the depreciable asset uniformly over its expected useful life. The annual depreciation is based on the full acquisition cost of the depreciable asset, net of its salvage value, as applicable. The rate applies from the date the asset is placed into use until it is disposed off/written off or until it is fully depreciated, whichever occurs first.

The following rates are used in computing depreciation:

ASSET CLASS	ESTIMATED USEFUL LIFE	DEPRECIATION RATE
	Years	%
HQ LAND & OTHER LAND	<i>infinite</i>	NIL
BUILDINGS & OTHER DEVELOPMENTS	40	2.50%
INFRASTRUCTURAL ASSETS (DAMS & WATER STRUCTURES)		
LARGE DAMS	50	2.00%
MEDIUM DAMS	50	2.00%
SMALL DAMS/PANS	25	4.00%
BOREHOLES/WELLS	40	2.50%
WATER TANKS/RESERVOIRS/BOOSTER STATIONS	25	4.00%
INTAKE WORKS/TREATMENT PLANTS	25	4.00%
OFFICE COMPUTERS & PERIPHERALS	3	33.33%
FURNITURE & FITTINGS	5	20.00%
OFFICE EQUIPMENT	5	20.00%
MOTOR VEHICLES & CYCLES	4	25.00%
PLANT & FIELD EQUIPMENT	20	5.00%

Valuation of assets to be undertaken every 3 years.

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability

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recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

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

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

g) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

i) Provisions

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

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Authority recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying -economic benefits or service potential is remote.

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

j) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements.

Accumulated Reserves

This is the portion of net income that is maintained by the Authority. If a deficit is incurred, then it reduces the Authority's accumulated reserves balance.

Capital Reserves

The Board makes a provision for renewing depreciating assets by creating a capital reserve equal to the accumulated depreciation and amortization at the end of the financial year.

Revaluation Reserve

The Board adopts the revaluation model for recognition of the Property Plant and Equipment. Where the first time an asset is revalued and such revaluation value is higher than the historical cost then such is carried as a revaluation reserve. Subsequent drops in value draw down the revaluation reserve.

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by

National Water Harvesting & Storage Authority
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applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs

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.

Related parties

The Authority regards a related party as a person or an Authority with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

o) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Comparative figures

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

r) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

4. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Some of the assumptions made include: That the entity is and shall continue being a going concern: that the entity shall continue receiving Government funding for its activities.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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5. TRANSFERS FROM OTHER GOVERNMENTS

Description	2021-2022 KShs	2020-2021 KShs
Unconditional grants		
Operational grant – State Dept of Water	415,750,003	360,250,000
Total government grants and subsidies	415,750,003	360,250,000

5(b). TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Department sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognized in capital fund. KShs	Total grant income during the year KShs	2020-2021 KShs
State Department of Water and Sanitation	415,750,003	0	2,757,500,000	3,173,250,003	2,804,750,000
Total	415,750,003	0	2,757,500,000	3,173,250,003	2,804,750,000

6. RENDERING OF SERVICES

Description	2021-2022 KShs	2020-2021 KShs
Sales - Drilling of Boreholes	12,072,958	94,626,697
Total revenue from the rendering of services	12,072,958	94,626,697

The Authority runs a Business Unit Division. The division is headed by the General Manager Finance & Corporate Planning. Its primary function is to generate revenues to help boost the Recurrent Budget portion of Appropriations in Aid.

7. RENTAL REVENUE FROM FACILITIES AND EQUIPMENT

Description	2021-2022 KShs	2020-2021 KShs
Operating lease revenues	45,991,254	56,970,074
Contigent rentals (Hire of conference facilities)	20,637	0
Total rentals	46,011,891	56,970,074

The Authority leased out the Ground, 1st, 2nd and 3rd Floors including the Kitchen of National Water Plaza Building which houses its Head Quarters. Other buildings in the Head Quarter Land LR.NO.209/13971 have also been leased out.

8. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2021-2022 KShs	2020-2021 KShs
Interest on monies held in current accounts with Kenya Commercial Bank Ltd	31,902,261	15,879,399
Total Finance Income	31,902,261	15,879,399

9. OTHER INCOME

Description	2021-2022 KShs	2020-2021 KShs
Recognized capital fund	1,065,864,338	354,265,788
Insurance Recoveries	3,080,000	100,000
Gains from Liquidated Damages on Contracts	150,000	
Total other income	1,069,094,338	354,365,788

The recognized capital fund relates to the expenses incurred on small dams, drilled boreholes, renovation & rehabilitation of plant & equipment, routine maintenance of project vehicles, expensed Large Dams and Dykes which are funded through Development Grants. The expenses have been recorded in Note 15 of the Grants and Subsidies

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10. USE OF GOODS AND SERVICES

Description	2021-2022 KShs	2020-2021 KShs
Electricity	6,587,595	8,393,463
Water	857,942	1,375,036
Security	26,071,446	20,502,196
Professional Services	20,833,860	13,638,694
Subscriptions	517,500	797,294
Publicity Costs	5,283,654	3,946,713
Audit fees	1,500,000	1,512,875
IT Expenses	4,383,888	2,033,054
Legal expenses	57,532,652	13,667,524
Sanitary Expenses	0	53,000
Rates	0	1,694,447
Postage	132,454	65,267
Printing and Stationery	9,549,951	9,939,628
Monitoring & Evaluation	5,039,105	2,756,270
Local Travel Expenses	14,420,786	18,997,541
Insurance	3,180,949	1,129,627
Cleaning Costs	10,402,280	9,917,211
Bank Charges	1,829,634	1,033,305
Office Tea, Beverages and Consumables	4,338,755	980,088
Telecommunication	1,502,360	3,008,221
Training	35,942,069	19,462,678
Expenses - Rendering of Services	74,702,906	101,744,204
Licences	24,000	3,050
Total good and services	284,633,786	236,651,386

11. EMPLOYEE COSTS

	2021-2022 KShs	2020-2021 KShs
Salaries & Wages	172,259,171	195,038,115
Employer Contribution to Medical Insurance Scheme	34,712,027	35,243,758
Employer Contribution to Pension Scheme	25,762,455	25,372,398
Employer Contribution to NSSF	453,600	462,200
Commuter Allowance	17,275,583	16,843,067
House Allowance	63,080,000	58,803,500
Overtime Allowance	1,667,470	1,297,292
Gratuity Payments	900,556	0
Extraneous Allowance	417,000	462,000
Leave Allowance	3,757,417	3,743,390
Acting Allowance	820,189	954,786
Special Duty Allowance	0	743,719
Casual Wages	133,812	0
Intern Stipend	3,607,860	4,934,200
Commuted Leave	18,412	341,912
Non-practising Allowance	510,000	420,000
Responsibility Allowance	1,200,000	2,340,000
Disability/Assistant Allowance	240,000	290,000
Transfer Allowance	0	169,365
Mobile Air-Time	2,884,000	2,247,000
Staff Welfare	9,761,061	8,159,497
Employee costs	339,460,613	357,866,199

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12.REMUNERATION OF DIRECTORS

Description	2021-2022	2020-2021
	KShs	KShs
Chairman's Honoraria	850,000	1,020,000
Sitting Allowance	9,340,000	11,200,000
Subsistence Allowance	11,029,200	11,720,800
Lunch Allowance	382,000	0
Mileage Claim	4,824,764	3,366,913
Travel Expense	568,500	0
Airtime	0	292,000
Induction & Training	4,164,722	2,766,870
Catering	640,080	748,826
Total director emoluments	31,799,266	31,115,409

13.DEPRECIATION AND AMORTIZATION EXPENSE

Description	2021-2022	2020-2021
	KShs	KShs
Property, plant and equipment (<i>Refer to Note 24</i>)	245,239,830	190,488,256
Intangible assets (<i>Refer to Note 25</i>)	8,654,459	840,630
Total depreciation and amortization	253,894,289	191,328,887

14.REPAIRS AND MAINTENANCE

Description	2021-2022	2020-2021
	KShs	KShs
Buildings	1,163,184	2,119,143
Office Equipment	440,490	24,500
Total repairs and maintenance	1,603,674	2,143,643

15.GRANTS & SUBSIDIES

Description	2021-2022	2020-2021
	KShs	KShs
Expenses related to Small Dams	21,082,083	225,494,908
Expenses related to Drilling	107,412,552	110,352,841
Expenses related to Large Dams	430,834,346	0
Expenses related to Dykes & Canals	347,087,478	0
Routine Maintenance of Project Vehicles	37,928,989	18,418,039
Court Awards related to capital projects	121,518,889	0
Total general expenses	1,065,864,338	354,265,788

These expenses related to capital projects are funded through the Development Grant. To match, the equivalent of the Grant is transferred from the Deferred Income (note 25) to Recognized capital fund under Note 9

16.GAIN ON SALE OF ASSETS

Description	2022-2023	2021-2022
	KShs	KShs
Property, plant & equipment	40,000	0
Total gain on sale of assets	40,000	0

17. TAX

Description	2021-2022	2020-2021
	KShs	KShs
Tax Charged on Rental Income	6,129,656	6,892,931
Tax charged on Interest Income	4,506,870	3,873,432
Assessment by Kenya Revenue Authority	730,151	144,644,641
Income tax expense -in the statement of financial performance	11,366,677	155,411,004

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18. INCREASE IN PROVISION FOR DOUBTFUL DEBTS

Description	2021-2022 KShs	2020-2021 KShs
Increase in Provision for Doubtful Debts- Business Unit Debtors	22,385,643	112,502,843
Increase in Provision for Doubtful Debts- Rent Receivables	17,843,050	10,509,826
Change In Provision for Doubtful Debts	40,228,693	123,012,669

19. IMPAIRMENT LOSSES (Revaluation Losses - Refer to Note 24 PPE)

Description	2021-2022 KShs	2020-2021 KShs
Buildings & Other Developments	329,109,746	
Plant & Field Equipment	4,139,714	0
Infrastructural Assets - Large Dams	2,209,805,243	0
Total Impairment Losses	2,543,054,702	0

20. CASH AND CASH EQUIVALENTS

Description	2021-2022 KShs	2020-2021 KShs
Current Accounts	569,834,241	119,004,528
Total cash and cash equivalents	569,834,241	119,004,528

20. (b) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENT

Financial institution	Account number	2021-2022 KShs	2020-2021 KShs
a) Current account			
<u>Kenya Commercial bank:</u>			
Recurrent Account	1114280488	56,827,856	24,849,517
Development Account	1114280593	373,290,847	61,238,033
Special Account	1114279978	19,900,487	2,601,049
Deposits Account	1114279889	2,328,450	2,289,229
Retention Account	1124316329	117,403,192	27,912,200
Equalization Fund Account	1209755858	0	0
Cash in Hand and in transit		83,410	114,500
Sub- total		569,834,241	119,004,528
<u>National Bank of Kenya</u>			
Current Account	1023085137200	0	0
Sub- total		0	0
Grand total		569,834,241	119,004,528

21. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2021-2022 KShs	2020-2021 KShs Restated
Current receivables		
Rent Receivable	34,372,109	25,877,498
Specific Provision for Doubtful Debts	(28,352,875)	(10,509,826)
Net Rent Receivable	6,019,234	15,367,673
Prepaid Insurance & others	23,129,281	19,408,700
Business Unit Debtors	151,297,329	191,389,840
Specific Provision for Doubtful Debts	(139,224,371)	(116,838,727)
Net Business Unit Debtors	12,072,958	74,551,112
Trade Receivables	960,948,603	488,296,763
Recoverable Advances	0	258,048,749
Total receivables	1,002,170,075	855,672,997

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21. (b) RECONCILIATION FOR IMPAIRMENT ALLOWANCE ON RECEIVABLES FROM EXCHANGE TRANSACTIONS

Impairment Provision	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	127,348,553	4,335,884
Additional provisions during the year	40,228,693	123,012,669
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	167,577,246	127,348,553

22. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

Description	2021-2022	2020-2021
	KShs	KShs
Current receivables		
Temporary Imprests to staff	60,955,887	64,373,466
Specific Provision for Bad Debts	(18,302,852)	(18,302,852)
Net Temporary Imprests to staff	42,653,035	46,070,614
Salary Advances to Staff	3,034,380	2,969,322
Deposit with the Courts	7,803,475	13,987,475
Total current receivables	53,490,889	63,027,411

22. (b) RECONCILIATION FOR IMPAIRMENT ALLOWANCE ON RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Impairment Provision	2021-2022	2020-2021
	KShs	KShs
At the beginning of the year	18,302,852	18,302,852
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	18,302,852	18,302,852

23. INVENTORIES

Description	2021-2022	2020-2021
	KShs	KShs
Consumable stores	20,813,159	26,488,082
Total inventories at the lower of cost and net realizable value	20,813,159	26,488,082

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

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24. PROPERTY PLANT AND EQUIPMENT

	HQ. LAND & OTHER LAND	BUILDINGS & OTHER DEVELOPMENTS	PLANT & FIELD EQUIPMENT	MOTOR VEHICLES & CYCLES
	Kshs	Kshs	Kshs	Kshs
Cost				
At 30th June 2020	340,000,000	1,142,354,911	230,042,450	249,855,000
Additions	-	-	-	-
Transfers to Assets	-	11,007,540	-	-
Prior year adjustment - Expensed Water pipeline	-	-	-	-
Disposals	-	-	-	-
At 30th June 2021	340,000,000	1,153,362,451	230,042,450	249,855,000
Recognition of Omitted Assets	3,794,900,000	328,300,000	-	-
Additions during the year	-	-	-	-
Transfers to Medium Dams	-	-	-	-
Expensed CIWP	-	-	-	-
Accumulated Depreciation	-	(64,252,705)	(69,012,737)	(249,855,000)
Revaluation Gain to Revaluation Reserve	500,000,000	-	-	107,015,000
Revaluation Loss on Revalued Assets to C.I.S	-	(329,109,746)	(4,139,714)	-
Transfers to Trade Receivables	-	-	-	-
Disposals	-	-	-	(400,000)
At 30th June 2022 - Depreciable	4,634,900,000	1,088,300,000	106,440,000	84,470,000
At 30th June 2022 - Salvage	-	-	50,450,000	22,145,000
As 30th June 2022 - Total	4,634,900,000	1,088,300,000	156,890,000	106,615,000
Depreciation				
At 30th June 2020	16,592,000	35,418,644	57,510,614	249,855,000
Depreciation Written Back	(16,592,000)	-	-	-
Depreciation - Expensed during the Year	-	28,834,061	-	-
Depreciation - Amortized to Revaluation Reserve	-	-	11,502,123	-
Disposal	-	-	-	-
At 30th June 2021	-	64,252,705	69,012,737	249,855,000
Accumulated Depreciation Clear Out	-	(64,252,705)	(69,012,737)	(249,855,000)
Depreciation - Expensed during the Year	-	8,207,500	-	-
Depreciation - Amortized to Revaluation Reserve	-	19,000,000	5,322,000	21,117,500
Disposal	-	-	-	(100,000)
At 30th June 2022	-	27,207,500	5,322,000	21,017,500
Net book Values				
At 30th June 2022	4,634,900,000	1,061,092,500	151,568,000	85,597,500
At 30th June 2021	340,000,000	1,089,109,746	161,029,714	-
Dep Policy Rate	0.00%	2.50%	5.00%	25.00%

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	FURNITURE & FITTINGS	OFFICE EQUIPMENT	OFFICE COMPUTERS & PERIPHERALS	INFRASTRUCTURAL ASSETS
	Kshs	Kshs	Kshs	LARGE DAMS
Cost				Kshs
At 30th June 2020	24,545,201	8,151,700	11,676,303	6,336,535,962
Additions	4,558,700	9,755,894	7,473,000	-
Transfers to Assets	-	-	-	-
Prior year adjustment - Expensed Water pipeline Disposals	-	-	-	-
At 30th June 2021	29,103,901	17,907,594	19,149,303	6,336,535,962
Recognition of Omitted Assets	-	-	-	-
Additions during the year	-	-	-	-
Transfers to Medium Dams	3,617,817	4,653,500	3,864,200	-
Expensed CIWP	-	-	-	-
Accumulated Depreciation	(11,657,238)	(6,998,913)	(15,239,879)	(126,730,719)
Revaluation Gain to Revaluation Reserve	-	5,771,769	15,477,976	-
Revaluation Loss on Previously Revalued Assets to C.I.S	-	-	-	(2,209,805,243)
Transfers to Trade Receivables	-	-	-	-
Disposals	-	-	-	-
At 30th June 2022 - Depreciable	21,064,480	21,333,950	23,251,600	4,000,000,000
At 30th June 2022 - Salvage	-	-	-	-
As 30th June 2022 - Total	21,064,480	21,333,950	23,251,600	4,000,000,000
Depreciation				
At 30th June 2020	8,019,250	4,760,464	8,857,416	-
Depreciation Written Back	-	-	-	-
Depreciation - Expensed during the Year	1,126,838	1,219,487	4,472,624	126,730,719
Depreciation - Amortized to Revaluation Reserve	2,511,150	1,018,963	1,909,839	-
Disposal	-	-	-	-
At 30th June 2021	11,657,238	6,998,913	15,239,879	126,730,719
Accumulated Depreciation Clear Out	(11,657,238)	(6,998,913)	(15,239,879)	(126,730,719)
Depreciation - Expensed during the Year	723,563	930,700	1,288,067	-
Depreciation - Amortized to Revaluation Reserve	3,489,333	3,336,090	6,462,467	80,000,000
Disposal	-	-	-	-
At 30th June 2022	4,212,896	4,266,790	7,750,533	80,000,000
Net book Values				
At 30th June 2022	16,851,584	17,067,160	15,501,067	3,920,000,000
At 30th June 2021	17,446,663	10,908,681	3,909,424	6,209,805,243
Dep Policy Rate	20.00%	20.00%	33.33%	2.00%

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24. PROPERTY PLANT AND EQUIPMENT (Cont.2)

	INFRASTRUCTURAL ASSETS (cont.)				WATER TANKS/RESERVOIRS/BOOSTER STATIONS Kshs
	MEDIUM DAMS Kshs	SMALL DAMS/PANS Kshs	BOREHOLES/WELLS Kshs		
Cost					
At 30th June 2020	1,405,226,382	-	-	-	-
Additions	-	-	-	-	-
Transfers to Assets	-	-	-	-	-
Prior year adjustment - Expensed Water pipeline	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2021	1,405,226,382	-	-	-	-
Recognition of Omitted Assets	2,600,000,000	800,000,000	164,800,000	-	2,912,350,000
Additions during the year	-	-	-	-	-
Transfers to Medium Dams	228,083,229	-	-	-	-
Expensed CIWP	(28,104,528)	-	-	-	-
Accumulated Depreciation	22,878,146	-	-	-	-
Revaluation Gain to Revaluation Reserve	-	-	-	-	-
Revaluation Loss on Previously Revalued Assets to C.I.S	-	-	-	-	-
Transfers to Trade Receivables	-	-	-	-	-
Disposals	-	-	-	-	-
At 30th June 2022 - Depreciable	4,228,083,229	800,000,000	164,800,000	-	2,912,350,000
At 30th June 2022 - Salvage	-	800,000,000	-	-	2,912,350,000
As 30th June 2022 - Total	4,228,083,229	800,000,000	164,800,000	-	2,912,350,000
Depreciation					
At 30th June 2020	-	-	-	-	-
Depreciation Written Back	-	-	-	-	-
Depreciation - Expensed during the Year	28,104,528	-	-	-	-
Depreciation - Amortized to Revaluation Reserve	-	-	-	-	-
Disposal	-	-	-	-	-
At 30th June 2021	28,104,528	-	-	-	-
Accumulated Depreciation Clear Out	(28,104,528)	-	-	-	-
Depreciation - Expensed during the Year	52,000,000	32,000,000	4,120,000	-	116,494,000
Depreciation - Amortized to Revaluation Reserve	32,561,665	-	-	-	-
Disposal	-	-	-	-	-
At 30th June 2022	84,561,665	32,000,000	4,120,000	-	116,494,000
Net book Values					
At 30th June 2022	4,143,521,564	768,000,000	160,680,000	-	2,795,856,000
At 30th June 2021	1,377,121,854	-	-	-	-
Dep Policy Rate	2.00%	4.00%	2.50%	-	4.00%

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24. PROPERTY PLANT AND EQUIPMENT (Cont. 3)

	INTAKE WORKS/TREATMENT PLANTS	CAPITAL W.I.P	TOTAL
	Kshs	Kshs	Kshs
Cost			
At 30th June 2020	-	12,326,157,238	22,074,545,147
Additions	-	2,234,812,508	2,256,600,102
Transfers to Assets	-	(11,007,540)	-
Prior year adjustment - Expensed Water pipeline	-	-	-
Disposals	-	-	-
At 30th June 2021		14,549,962,206	24,331,145,249
Recognition of Omitted Assets	736,900,000	0	11,337,250,000
Additions during the year	-	1,854,061,373	1,866,196,890
Transfers to Medium Dams	-	(228,083,229)	-
Expensed CIWP	-	(777,921,824)	(777,921,824)
Accumulated Depreciation	-	-	(571,851,718)
Revaluation Gain to Revaluation Reserve	-	-	651,142,891
Revaluation Loss on Previously Revalued Assets to C.I.S	-	-	(2,543,054,702)
Transfers to Trade Receivables	-	(501,763,713)	(501,763,713)
Disposals	-	-	(400,000)
At 30th June 2022 - Depreciable	736,900,000	14,896,254,813	33,718,148,072
At 30th June 2022 - Salvage			72,595,000
As 30th June 2022 - Total	736,900,000	14,896,254,813	33,790,743,072
Depreciation			
At 30th June 2020	-	-	381,013,388
Depreciation Written Back	-	-	(16,592,000)
Depreciation - Expensed during the Year	-	-	190,488,256
Depreciation - Amortized to Revaluation Reserve	-	-	16,942,074
Disposal	-	-	-
At 30th June 2021	-	-	571,851,718
Accumulated Depreciation Clear Out	-	-	(571,851,718)
Depreciation - Expensed during the Year	29,476,000	-	245,239,830
Depreciation - Amortized to Revaluation Reserve	-	-	171,289,054
Disposal	-	-	(100,000)
At 30th June 2022	29,476,000		416,428,884
Net book Values			
At 30th June 2022	707,424,000	14,896,254,813	33,374,314,188
At 30th June 2021	-	14,549,962,206	23,759,293,531
Dep Policy Rate	4.00%	0.00%	

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Valuation:

Assets were valued by QMACS REALTORS LTD independent valuer on April 2022 on FAIR VALUE basis of valuation. These amounts were adopted on 30TH JUNE 2022.

The additional assets under the classes of HQ Land & Other Lands, & Infrastructural assets were included at their fair values as recommended by the Public Investments Committee (PIC) of the National Assembly as contained in its 19th Report. Specifically, the PIC directed that all the assets that had been excluded from the books of accounts be included until the transfer plans are finalized.

The Transfer to Trade Receivables relates to money deposited with the National Land Commission to compensate land acquired for the construction of Soin-Koru Multipurpose Dam. This amount shall only be transferred to PPE upon acquisition of a Land Title for the project.

The transfers to assets relates to cumulative expenses towards the construction of Nakue tum Peace Dam. The dam is complete and therefore has been moved to Infrastructural Assets (Medium Dams).

The Expensed assets relate to expenditure for projects that are yet to commenced and which have no budget allocation. These costs relate to feasibility studies.

The Capital Work in Progress includes costs associated with construction of Large Dams and Dykes & Canals. These assets, upon completion, transferred to assets. Details of the capital work in progress are as shown herebelow:

	2021-2022	Expensed Assets	Transfer to Assets	Transfer to Trade Receivables	Additions	2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Large Dams	13,432,480,217	(430,834,346)	(228,083,229)	(501,763,713)	1,677,710,846	12,915,450,659
Dykes & Canals	1,463,774,596	(347,087,478)	0	0	176,350,527	1,634,511,547
Total	14,896,254,813	(777,921,824)	(228,083,229)	(501,763,713)	1,854,061,373	14,549,962,206

Basis of Calculation of Gain/Loss on Revaluation of Assets on 2nd Revaluation in FY 2021/2022

Asset Class	Cost as at	Accumulated	Carrying Value on	Fair Value on	Gain/Loss
	01.07.2021	01.07.2021	01.07.2021	30.06.2022	Kshs
	Kshs	Kshs	Kshs	Kshs	Kshs
HQ LAND & OTHER LAND	340,000,000	0	340,000,000	4,634,900,000	4,294,900,000
BUILDINGS & OTHER DEVELOPMENTS	1,153,362,451	64,252,705	1,089,109,746	760,000,000	(329,109,746)
PLANT & FIELD EQUIPMENT	230,042,450	69,012,737	161,029,714	156,890,000	(4,139,714)
MOTOR VEHICLES & CYCLES	249,855,000	249,855,000	0	84,470,000	84,470,000
FURNITURE & FITTINGS	29,103,901	11,657,238	17,446,663	17,446,663	(0)
OFFICE EQUIPMENT	17,907,594	6,998,913	10,908,681	21,333,950	10,425,269
OFFICE COMPUTERS & PERIPHERALS	19,149,303	15,239,879	3,909,424	23,251,600	19,342,176
LARGE DAMS	6,336,535,962	126,730,719	6,209,805,243	4,000,000,000	(2,209,805,243)
MEDIUM DAMS	1,405,226,382	28,104,528	1,377,121,854	4,228,083,229	2,850,961,375
SMALL DAMS/PANS	0	0	0	800,000,000	800,000,000
BOREHOLES/WELLS	0	0	0	164,800,000	164,800,000
WATER TANKS/RESERVOIRS/BOOSTER STATIONS	0	0	0	2,912,350,000	2,912,350,000
INTAKE WORKS/TREATMENT PLANTS	0	0	0	736,900,000	736,900,000
	9,781,183,043	571,851,718	9,209,331,325	18,540,425,442	9,331,094,117

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24 (b) PROPERTY, PLANT AND EQUIPMENT AT COST

	Cost	Accumulated Depreciation	NBV
	Kshs	Kshs	Kshs
Hq Land & Other Land	4,634,900,000	0	4,634,900,000
Buildings & Other Developments	1,088,300,000	27,207,500	1,061,092,500
Plant & Field Equipment	106,440,000	5,322,000	101,118,000
Motor Vehicles & Cycles	84,470,000	21,017,500	63,452,500
Furniture & Fittings	21,064,480	4,212,896	16,851,584
Office Equipment	21,333,950	4,266,790	17,067,160
Office Computers & Peripherals	23,251,600	7,750,533	15,501,067
Infrastructural Assets:			
Large Dams	4,000,000,000	80,000,000	3,920,000,000
Medium Dams	4,228,083,229	84,561,665	4,143,521,564
Small Dams/Pans	800,000,000	32,000,000	768,000,000
Boreholes/Wells	164,800,000	4,120,000	160,680,000
Water Tanks/Reservoirs/Booster Stations	2,912,350,000	116,494,000	2,795,856,000
Intake Works/Treatment Plants	736,900,000	29,476,000	707,424,000
	18,821,893,259	416,428,884	18,405,464,375

Property plant and Equipment includes the following assets that are fully depreciated/salvage:

	Valuation	Normal Annual Depreciation Charge
	Kshs	Kshs
Motor Vehicles & Cycles	22,145,000	5,536,250
Plant & Field Equipment	50,450,000	2,522,500
	72,595,000	8,058,750

25. INTANGIBLE ASSET

Description	Microsoft Dynamics NAV 2016	Dynamics 365 Business Central	Total	
	KShs	KShs	KShs	KShs
	2021-2022	2021-2022	2021-2022	2020-2021
Cost				
At beginning of the year	37,146,430	0	37,146,430	37,146,430
Additions-internal development	0	24,518,900	24,518,900	-
At end of the year	37,146,430	24,518,900	61,665,330	37,146,430
Amortization and impairment				
At beginning of the year	35,439,696	0	35,439,696	34,599,065
Amortization	563,222	8,091,237	8,654,459	840,630
At end of the year	36,002,918	8,091,237	44,094,155	35,439,696
NBV	1,143,512	16,427,663	17,571,175	1,706,734
Dep Policy Rate	33%	33%		33%

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26. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2021-2022 KShs	2020-2021 KShs Restated
Trade payables	866,566,153	1,238,670,711
Payments received in advance	30,310,302	36,256,553
Third-party payments	3,617,599	18,952,641
Retention held on behalf of suppliers	555,583,746	456,564,249
Claimables	590,106	7,348,778
Total trade and other payables	1,456,667,907	1,757,792,932

27. CURRENT PROVISIONS

Description	Leave KShs	Gratuity KShs	Audit Fees KShs	Total KShs	2020-2021 KShs
Balance at the beginning of the year/period	0	900,556	3,000,000	3,900,556	3,000,000
Additional Provisions for the period	0	0	1,500,000	1,500,000	
Change due to discount and time value of money	0	0	0	0	
Transfers from non-current provisions	0	0	0	0	
Total Provisions at the end of the year	0	900,556	4,500,000	5,400,556	3,000,000

28. NET CASHFLOWS FROM OPERATING ACTIVITIES

	2021-2022 KShs	2020-2021 KShs Restated
Surplus for the year before tax	(2,997,114,587)	(569,703,026)
Adjusted for:		
Depreciation and Impairment	253,894,289	191,328,887
Increase in Provision for Doubtful debts	40,228,693	123,012,669
Impairment Loss	2,543,054,702	0
Working capital adjustments:		
Change in Inventories	5,674,923	(14,599,923)
Change in Receivables from exchange transactions	(186,725,771)	(224,265,776)
Change in Receivables from non-exchange transactions	9,536,522	26,395,953
Change in Trade and other payables from exchange transactions	(301,125,024)	382,687,883
Current provisions	2,400,556	0
Net cash flows from operating activities	(630,175,697)	(85,143,333)

29. FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents,

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and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables from exchange transactions	1,002,170,075	811,463,549	23,129,281	167,577,246
Receivables from non exchange transactions	53,490,889	7,803,475	53,490,889	18,302,852
Bank balances	569,834,241	569,834,241	0	0
Total	1,625,495,206	1,389,101,264	76,620,170	185,880,098
At 30 June 2021				
Receivables from exchange transactions	367,376,235	0	363,040,351	4,335,884
Receivables from non exchange transactions	63,027,411	0	44,724,559	18,302,852
Bank balances	119,004,528	119,004,528	0	0
Total	549,408,174	119,004,528	407,764,910	22,638,736

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade & Other Payables	94,492,216	218,924,747	553,149,190	866,566,153
Total	94,492,216.35	218,924,746.79	553,149,189.73	866,566,152.87
At 30 June 2021				
Trade & Other Payables	14,568,952.00	21,458,963.00	1,236,468,254.13	1,272,496,169.13
Total	14,568,952.00	21,458,963.00	1,236,468,254.13	1,272,496,169.13

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Authority's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

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iv) Capital Risk Management

The objective of the Authority's capital risk management is to safeguard the Board's ability to continue as a going concern. The Authority capital structure comprises of the following funds:

	2021-2022 Kshs	2020-2021 Kshs
Revaluation reserve	821,091,795	341,137,958
Retained earnings	(4,266,117,051)	(1,269,002,463)
Capital reserve	37,021,150,519	23,992,264,857
Total funds	33,576,125,263	23,064,400,351
Total borrowings	0	0
Less: cash and bank balances	569,834,241	119,004,528
Net debt/(excess cash and cash equivalents)	(569,834,241)	(119,004,528)
Gearing		

30. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Authority, both domestic and external. Other related parties include:

- i) The National Government;
- ii) The Ministry of Water & Sanitation;
- iii) The Board of Directors;

	2021-2022 Kshs	2020-2021 Kshs
Transactions with related parties		
a) Grants from the Government		
Grants from National Govt	3,173,250,003	2,804,750,000
Grants from County Government	0	0
Donations in kind	0	0
Total	3,173,250,003	2,804,750,000
b) Key management compensation		
Directors' emoluments	31,799,266	31,115,409
Total	31,799,266	31,115,409

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31. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	2021-2022 Kshs	2020-2021 Kshs
Court Judgements, Arbitral Awards and Legal Fees	328,688,387	204,568,963
Total	328,688,387	204,568,963

32. CAPITAL COMMITMENTS

Capital commitments	2021-2022 Kshs	2020-2021 Kshs
Authorised and contracted for:		
Siyoi-Muruny Dam and Koru Dam Water Supply Project	22,900,000,000	8,290,000,000
Total	22,900,000,000	8,290,000,000

33. DIVIDENDS/SURPLUS REMISSION

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year and hence no remittance to the Consolidated Fund.

34. EVENTS AFTER THE REPORTING PERIOD

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

35. ULTIMATE AND HOLDING AUTHORITY

The Authority is a State Authority/ or a Semi- Autonomous Government Agency under the Ministry of Water & Sanitation. Its ultimate parent is the Government of Kenya.

36. RESTATEMENT OF FIGURES IN FY 2021-2022

The Trade and Other Payables for Financial Year 2020-2021 has been restated from the audited figure of Kes.750,373,948 to Kes.1,238,670,711. This was done in order to comply with the provisions of Paragraph 48 of IPSAS 1 — Presentation of Financial Statements - which prohibits offsetting of assets and liabilities, revenue and expense.

As a result, under Note 21 (Receivables from Exchange Transactions) of the comparative figure for FY 2020-2021, the amount of Kes.488,296,763 was reported as Trade Receivables thereby bringing the Total Receivables to Kes.855,672,997.00 up from Kes.367,376,235.00.

Therefore, the Trade and Other Payables was restated from Kes.1,272,496,169 to Kes.1,757,792,932.

Still, there was created a new provision for Current Provisions under Note 27 in line with the template for reporting of the Financial Year under consideration. This led to reclassification of Kes.3,000,000 from the formerly Accrual & Claimables item under the trade and other payables from exchange transactions (Note 26) which related to Accrued expenses for Audit Fees.

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Ref. No. on External Audit Report	Issue/Observation from Auditor	Management Comments	Focal Point	Status	Time Frame
i.	<p>Outstanding Unposted Items in Bank Reconciliation Statements</p> <p>The statement of financial position reflects cash and cash equivalent balance of Kshs.119,004,528 as disclosed in Note 19. The balance excludes an amount of Kshs.31,860,430 relating to unposted items reflected in the bank reconciliations, as detailed below:</p>	<p><i>The Recurrent, Special and Development accounts have various long outstanding unposted items as well as reconciling items. The items arose after the Authority tried to reconstruct its finance records and documents which had been destroyed by an inferno that gutted it's premises in the September 2009.</i></p> <p><i>In an endeavour to determine the cause of the reconciling items including the unposted ones, the Authority requested for bank statements and copies of cheques from the Kenya Commercial Bank Ltd. In some instances, the bank was experiencing difficulties in obtaining the information as it dated back to 2005.</i></p> <p><i>It was under these circumstances that the Finance Committee of the Board resolved to write off the same. However, the full board recommended that the Governance, Risk and Audit Committee of the Board scrutinizes the correct position before approval.</i></p> <p><i>A committee has since been appointed by management to assist the Internal Audit Department prepare a report for presentation to the Board of Directors. The same shall be tabled before the Board in the fy 2022-2023 for approval and subsequently the management shall follow the write off procedures.</i></p>	CEO	Not Resolved	30 th December 2023

Account Name	Date Reported	Amount (Kshs.)
Development A/c	2009	24,671,142
Special A/c	2006	2,133,280
Recurrent A/c	2006	5,056,008
Total		31,860,430

The items have been outstanding for more than ten (10) years and it is not clear why Management has not investigated the unposted items to clear them from the reconciliation statements.

Further, the balance of Kshs 119,004,528 includes a non-reconciling item relating to undercast amount of Kshs 1,956,997. Management has not explained why corrections for the undercast were not done in the cashbook to arrive at the corrected cash book balance.

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<p>2. Long-Outstanding receivables from Exchange Transactions The statement of financial position reflects receivables from exchange transactions balance of Kshs.367,376,235 as disclosed in Note 20 which includes balances of Kshs. 25,877,498 and Kshs 191,389,840 in respect to rent receivable and net business unit debtors respectively. Further, review of the ageing analyses of the receivables revealed that Kshs. 13,608,690 and Kshs 130,954,927 respectively have remained outstanding for more than 90 days and therefore casting doubt on their recoverability.</p> <p>Although the Management provided for bad and doubtful debts of Kshs. 10,509,826 and Kshs. 112,502,843 as specific provisions for doubtful debts with respect to rent receivables and net business unit debtors respectively, the provisions may be in adequate as the amounts have been outstanding for long.</p> <p>In the circumstances, the recoverability of the receivables from exchange transactions of Kshs. 367,376,235 could not be confirmed.</p>	<p><i>It is true that some receivables from rent and business unit have remained outstanding for over 90 days. As guided by its policy, the Authority provided them as doubtful debts. This was considered adequate as the remainder of the debts were aged below 90 days.</i></p> <p><i>The management has embarked on an aggressive debt collection drive where some debtors have yielded and paid.</i></p> <p><i>The management undertakes to further continue with debt collection through engagement of debt collectors and where the same does not yield, it may consider engaging the Office of the Attorney General. Debts from Government Agencies, shall also be communicated and the assistance of the line Principal Secretary sought.</i></p> <p><i>Any unrecoverable debts shall be proposed for a write off.</i></p>	<p>CEO</p> <p>Not resolved</p>	<p>3th December, 2023</p>
<p>3. Long Outstanding Retention The statement of financial position and Note 25 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs. 1,272,496,169. The balance includes Kshs.456,564,249 relating to retention monies held on behalf of suppliers out of which Kshs.392,876,626 relates to amounts retained on or before 30 June, 2020 and whose respective defects liability period had lapsed. Although Management indicated that Kshs. 392,876,626 relates to retention for ongoing Muruny (Siyoi) dam project, the balance of Kshs. 63,687,622 was unsupported. It was not clear under what circumstances the monies continued to be held by the Authority for years spanning to up to five (5) years. This is contrary to Regulation 23(2a) of the Public Finance Management</p>	<p><i>Contractually, retention is released upon lapse of the defects liability period and upon request by the contractor who is required to update his payment details. These contracts have varying defects liability periods. In this instance, the Muruny (Siyoi) dam project has a 2 year defects liability period. However, retention money is withheld on all interim certificates and thus accumulates over the project life. Muruny (Siyoi) dam commenced on 30th March 2015 and by the close of the financial year 2020-2021, had not reached substantial completion. Therefore, the retained money from the project was yet to fall due but had aged over 90 days. Therefore, non release of the same by 30 June 2021 was not in breach of Regulation 23(2a) of the Public Finance Management (National Government) Regulations. Retentions on other projects have been released as and when they fall due unless in cases where there are unaddressed defects on the projects for which the</i></p>	<p>CEO</p> <p>Not Resolved</p>	<p>30th June 2024</p>

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(National Government) Regulations, 2015 which requires Accounting Officers to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation.

Further, as disclosed in Note 19(b) to the financial statements, the retention bank account reflects a balance of Kshs.27,912,200 while the retentions included in the trade and other payables from exchange transaction reflects a balance of Kshs.456,564,249. The Management has not explained how the balance of Kshs. 428,652,049 will be cleared when it falls due.

In the circumstances, the completeness of retention monies of Kshs. 456,564,249 and ability to pay the third parties as and when they fall due could not be confirmed.

4

Long Outstanding Temporary Imprest

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs. 63,027,411 as disclosed in Note 21 of the financial statements, which includes Kshs. 46,070,614 respect of net temporary imprest to staff. These amounts have remained outstanding contrary to Paragraph 3.2 of The National Treasury Circular No. AG.3/88 No 1.7(16) of 07 May, 2021. Further, Management did not disclose, the basis for computing the specific provision for bad and doubtful debts relating to temporary imprest to staff amounting to Kshs. 18,302,852.

In the circumstances, recoverability of the outstanding imprest balance of Kshs. 46,070,614 and the basis for the provision for bad debts on temporary imprest of Kshs. 18,302,852 could not be confirmed.

retention was made.

However, the management is in the process of reconciling the Retention Control Account through an appointed internal committee to enable it confirm the status of projects whose retention is due to enable it release the retained monies. The records shall be updated accordingly.

Finally, the management notes the differences between the Retention control account and Retention bank account. This is explained by the inadequate funding of the Muruny (Siyoi) dam over the years which has led to under-transfer of equivalent funds to those carried to the retention account. During the year, the Authority received the final exchequer for the FY 2020-2021 budget on 8th July 2021 which was after the reporting cut-off date. The management is aware of the need to plan for cashflows prudently to avert any defaults as when release of retention money becomes due. It has thus continued to transfer funds to cover the difference.

CEO

Not resolved

30th June 2024

Some long outstanding imprest related to deceased staff, staff who were dismissed and left the Authority without clearing their outstanding imprest. The cases have been brought to the

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attention of the Authority's Board. At the 3rd Finance Committee of the Board held on 5th January, 2022 in the FY 2021/2022 the following resolutions were passed:

- that the Management engages a debt collector to pursue the long outstanding imprests held by staff who were dismissed and/or staff who left the Authority; and
- that the Management writes off the imprest for staff who were deceased and ensures compliance with the Law.

In compliance with the Board Directives, the management has kickstarted the process of reconciling the imprest status by circularizing the debtors to determine their completeness. Meanwhile, all outstanding imprest is under recovery through payroll. Still, the management is compiling the list of unrecoverable imprest and shall seek approval for write-off.

The auditors shall be appraised at the conclusion of the exercise.

Finally, the management had provided as doubtful debts, the full amount owing from the staff categorized as deceased, dismissed or those who left the Authority. This was in line with the Authority's debtors' policy.

The Authority is a non-income generating entity that is majority reliant on Government Exchequer to achieve its mandate of water storage and flood control.

The increase in accumulated deficit is as a result of a net deficit for the year. The deficit position is majority as a result of:

- Depreciation and amortization of Kes.191,328,887 on Property, Plant & Equipment (PPE) which is a Non-cash based expenses,
- Increase in provision for bad and doubtful debts of Kes.123,012,669 on receivables which is a Non-cash based expenses,
- One off tax payment of Kes.155,411,004 on a Tax assessment by the KRA for the period between 2010 and 2016,
- Rendering of Services Expense of Kes.101,744,204 which is a non budgeted expense as it relates to expenses incurred while

Material Uncertainty Related to Sustainability of Services

The statement of financial performance reflects deficit for the year amounting to Kshs.569,703,026 (2020: Kshs.193,869,537). The Authority recorded accumulated deficit amount of Kshs. 1,269,002,463 up from a deficit of Kshs. 715,891,438 recorded in 2019/2020. Further, the current liabilities balance of Kshs.1,272,496,169 exceeded the current assets balance of Kshs.575,896,256 by Kshs.696,599,913 thereby, casting doubt on the Authority's capability to meet its immediate financial obligations as and when they fall due.

This material uncertainty in relation to sustainability of services and mitigating measures to reverse the undesirable

5.

Resolved 30th June 2022

CEO

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precarious financial position have not been disclosed in the financial statements.

The Authority is, therefore, not in a position to meet its current financial obligations as they fall due and depends on creditors and Governments grants to meet its day-to-day operations.

*generating revenues to supplement the Recurrent Budget which is a requirement under the Recurrent Budget, and
- Inability to collect the required A.L.A of Kes.100Million.*

Further, the escalating liabilities are as a result of inadequate funding or inadequate budgetary provision for multi-year projects that were under implementation including Muruny (Siyoi), other historical pending bills that were still under review by an internal pending bills committee and payables that were subject to court proceedings and thus frozen ending court determination as was noted in the contingent liabilities from the FY 2019-2020. This situation is further affected by delays in release of funds to finance the allocated budget. In this case, the final grant of Kes.1,437,500,000.00 for the year was received in the Financial Year 2021-2022 (8 July, 2021).

The current Assets to Current Liabilities position has since improved whereby in the FY 2022-2023, the ratio was 1.13:1 meaning that the current assets could cover the current liabilities.

The management is lobbying for full financing of liabilities to mitigate against any default.

The Authority is also exploring other financing options and has formed an internal committee to undertake the same.

CEO

30th June 2023

Not Resolved

Basis for Conclusion

Long Outstanding Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.1,272,496,169 as disclosed in Note 25 which includes trade payables balances totalling Kshs.750,373,948 out of which Kshs.628,759,240 have remained outstanding for more than the allowable credit period of thirty (30) days as at 30 June, 2021. The

In addition, delayed release of the development exchequer for the year contributed to carrying over pending bills. In this

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Management contravened the provisions of Regulation 23(2a) of the Public Finance Management (National Government) Regulations, 2015 which requires Accounting Officers to comply with any tax, levy, duty, pension, commitments and audit commitments as may be provided for by legislation. Further, Management risks being held in breach of contractual obligations.

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

2.

Budget Deficit

The statement of comparison of budget and actual amounts reflects final budget and actual on comparable basis amounts of Kshs.493,000,000 and Kshs.527,826,170 respectively, resulting to overfunding amounting to Kshs.34,826,170 or 7%. However, the Authority spent an amount of Kshs.1,097,529,195 against budgeted expenditure amount of Kshs.493,000,000 resulting to an over expenditure of Kshs.604,529,195 or 122% of the budget. Management explained that the over-expenditure was caused by depreciation and amortization expense amount of Kshs.191,328,887, impairment loss of Kshs.123,012,669 and taxation of Kshs.155,411,004 all totalling Kshs.469,752,560.

However, the over expenditure of Kshs.134,776,635 was not explained and therefore, the Authority operated over and above the approved budget for the year contrary to the Appropriation Act, 2018, the Supplementary Appropriation Act, 2018 and Section 43 (b) of Public Finance Management Regulations, 2015 which provides that an Accounting Officer shall ensure that public funds entrusted to their care are applied for purposes for only which they were intended and appropriated by the National

instance, the final exchequer for the financial year was received on 8th July 2021 which was after the cut off date of 30th June 2021. See attached receipt attached and marked as DEV GRANT RCPT. The funds were utilized to defray the accumulated pending bills. However, it should be noted that, since the Authority implements projects that cross over financial years, it is inevitable that some bills will remain outstanding at the closure of financial years.

To address this, the management continues to seek adequate funding for the projects from the Parent Ministry to clear bills. The same has been gradually received over the years to date.

All other pending bills shall be prioritized in the fy 2022-2023.

CEO

Resolved

30th June 2022

The balance of Kes.33,032,431 is as a result of the accrual nature of reporting that is required of the Authority. Here, expenditures are recorded when they are incurred and not when

**National Water Harvesting & Storage Authority
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Assembly.

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

they are paid. As such, items such as medical Insurance Cover under the Note 12 (Employee Costs), Security Costs under Note 11 (Use of Goods and Services) have expenses which have been carried forward as pending bills.

This therefore explains the deficit reported during the period under review.

1. Basis for Conclusion

CEO
Not Resolved
30th June 2023

Top Management on Acting Appointments

Review of the organization structure of the Authority revealed that key Management positions which including; the Chief Executive Officer, General Manager (Technical Planning and Design), General Manager (Human Resource & Administration), General Manager (Construction & Electro-Mechanical Services) and General Manager (Corporate & Legal Services), lacked substantive holders during the year under review and hence casting doubt on the Authority's capability to implement its policies and programmes it line with its strategic objectives This is contrary to Section 7.5(a) of the Authority's Human Resource Policies and Procedures Manual of 2016 which prescribes that recruitment shall be done against approved establishment where a position falls vacant, the Corporation shall ascertain whether the vacancy shall be filled by promotion from within or recruitment from outside.

In the circumstances, Management was therefore in breach

CEO

Not Resolved

30th June 2023

The Management was unable to substantively fill in the arising vacancies as it did not have approved Human Resource Policy Instruments as was required by the State Corporations Advisory Committee (SCAC) in their communication vide letter Ref. No. OP SCAC.9/21/1/1 dated 15th May, 2017. In compliance, the Authority sought approval from the SCAC. This approval had not been obtained by the close of the Financial Year.

The Authority has since received approval as communicated through a letter Ref. No. OP/SCAC 9/38 dated 21st March, 2022 and another from the Cabinet Secretary date 8th August 2022.

The Authority sought financing from the National Treasury vide No. NWHSA/CEO/00/8/VOL.XXXVII/(19) dated 13th December, 2022.

The financing is yet to be approved. The positions shall therefore be filled upon receipt of funding.

Constitution of Water Harvesting and

CS MWI

Resolved

5th July 2022

The matter has been resolved as a new Board constituting of 5 Independent members was appointed on 5th July 2022 in compliance with the Water Act 2016.

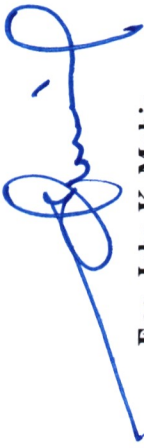
**National Water H
Ann...**

of 8 February, 2019
(7) independent
as contrary to
requires

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appointment of five (5) independent Board Members in addition to a chairperson, who shall be appointed by the President; the Principal Secretary responsible for matters relating to water; the Principal Secretary responsible for matters relating to land; the Principal Secretary responsible for finance; five other members, who shall be appointed by the Cabinet Secretary; and a Chief Executive Officer.

In the circumstances, the Authority was in breach of the law



Eng. John K. Muhia
Ag. Chief Executive Officer

Date.....18/05/2022



Rev. Dr. Samuel Thiong'o Mwangi
Chairman of the Board

Date.....18/05/2023

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APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Completed Projects						
1 Seme TTC Borehole	7,989,999	7,989,999	100%	8,000,000	7,989,999	GoK
2 Ndenga Primary School Borehole	7,899,999	7,899,999	100%	7,900,000	7,899,999	GoK
3 Kaptumek Primary School Borehole	7,899,999	7,899,999	100%	7,900,000	7,899,999	GoK
4 Kabazi Police Station Borehole	7,949,999	7,949,999	100%	8,000,000	7,949,999	GoK
Dykes - Flood Control Programme						
5 Kuja-Nyora side	15,000,000.00	14,577,825	100%	-	14,577,825	GoK
6 Kimira - Gendo	20,000,000.00	19,711,263	100%	20,000,000	19,711,263	GoK
7 Perkera - Murda-Kona Mbaya / Marigat High Sch	15,000,000.00	2,207,550	45%	-	2,207,550	GoK
8 Kawalase	45,000,000.00	46,225,653	100%	45,000,000	46,225,653	GoK
9 Awach Tende - Karachuonyo side	23,000,000.00	22,788,763	100%	23,500,000	22,788,763	GoK
10 Nzoia	15,000,000.00	15,203,080	100%	15,000,000	15,203,080	GoK
11 Iresaboru	15,000,000.00	13,316,330	100%	-	13,316,330	GoK
12 Sabwani - Amuka	24,000,000.00	21,381,387	100%	20,000,000	21,381,387	GoK
13 Nyando	15,000,000.00	11,225,038	100%	15,000,000	11,225,038	GoK
14 Kapkakwa	20,000,000.00	19,892,803	100%	19,000,000	19,892,803	GoK
15 Awach Tende/Maugo	18,000,000.00	16,122,544	100%	16,500,000	16,122,544	GoK
16 Olopito Gravity Dam	50,000,000.00	1,549,538	100%	-	1,549,538	GoK
Ongoing Projects						
1 Muruny (Siyoi) Dam	12,375,000,000	9,664,431,805	75%	900,000,000	1,477,709,973	GoK
2 Soin-Koru Dam	22,500,000,000	712,258,980	1%	70,000,000	69,205,062	GoK
3 Badasa Dam	3,627,316,000	2,252,092,652	40%	20,000,000	69,136,916	GoK
4 Umaa Dam	2,771,024,000	1,293,845,808	40%	20,000,000	1,310,000	GoK
ASAL Projects						
5 Dusebima Pan	14,095,065.00	0	0%	15,000,000	0	GoK
6 Matadaka Pan	12,905,095.50	0	0%	13,500,000	0	GoK

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7	Weir across River Makiama in Gatanga Sub-County and Upgrade Of Malewacanary Raw Water Main in Nyandarua North Sub-County	27,518,500.00	0	0%	28,000,000	0	GoK
8	Kathuli Pan in Mwingi North and Yongela Dam in Mutomo in Kitui County	28,425,188.00	0	0%	29,000,000	0	GoK
9	Aresa Pan in Mandera County	14,500,000.00	0	0%	14,500,000	0	GoK
	Water for Schools/Cross County/Ground Water Projects						
10	Nyorori pan in Homabay county	7,407,965.50	0	0%	10,000,000	0	GoK
11	Drilling and equipping of seven (7) no. Boreholes and construction of elevated pressed steel water tank atbugute primary school, kakamega, koboch village, homa bay, karuodho village, homa bay, kasarani market, kakamega ojienda kaknie village, kisumu, shirakaru secondary school, bungoma and st. Annas musoli girls secondary school, kakamega county	45,999,999.00	0	0%	50,000,000	0	GoK
12	Drilling and equipping of five (5) no. Boreholes and construction of elevated pressed steel water tank at akwanya primary school, awasi market, ramula odowa primary school, homeline primary school and wanganga secondary school in kisumu county	37,999,999.00	0	0%	42,000,000	0	GoK
13	Construction of ayueche pan in homabay county	7,289,376.00	0	0%	8,000,000	0	GoK
14	Drilling and equipping of three (3) no. Boreholes and construction of elevated pressed steel water tank at shamusianjiri primary school, kasavai primary school, irhembe primary school in kakamega county	24,281,917.00	0	0%	30,000,000	0	GoK
15	Rehabilitation of ngolanya dam in kitui county	7,942,627.55	0	70%	10,000,000	0	GoK
16	Rehabilitation of disii pan in homabay county	10,000,000.00	0	0%	10,000,000	0	GoK

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17	Drilling and equipping of two (2) no. Boreholes and construction of elevated pressed steel water tank at karega mutahi & mauta primary school in homabay county	15,613,777.00	0	0%	16,000,000	0	GoK
18	Construction of extension works for kwoyo water supply project located in homa bay county	2,999,948.62	2,999,948.62	0%	3,000,000	2,999,949	GoK
19	Construction of extension works ochunyno water supply project located in homa bay county	2,999,946.68	2,999,946.68	0%	3,000,000	2,999,947	GoK
Ongoing Projects - Under Planning and Design							
1	Londiani Dam	96,936,000	55,493,218	100%	0	0	GoK
2	Upper Narok Dam	112,357,000	31,250,742	65%	0	0	GoK
3	Rumuruti Dam	167,051,000	54,953,874	35%	0	0	GoK
4	Isiolo Dam	56,237,000	56,276,166	80%	0	0	GoK
5	Rare Dam	84,980,000	35,517,705	65%	0	0	GoK
6	Pesi (Nyahururu) Dam	36,500,000	1,496,162	25%	0	0	GoK
7	Nzoia Dam	153,000,000	87,974,640	40%	0	0	GoK
8	Igembe Water project	10,000,000,000	11,448,685	0%	20,000,000	7,486,600.00	GoK

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APPENDIX III: INTER-AUTHORITY TRANSFERS

ENTITY NAME: NATIONAL WATER HARVESTING & STORAGE AUTHORITY
**Break down of Transfers from the State Department of Water
FY 2021-2022**

a. Recurrent Grants

<u>Bank Statement Date Month/day/year</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
5/7/2021	32,750,000.00	FY 2020-2021
11/8/2021	31,916,667.00	FY 2021-2022
7/9/2021	31,916,667.00	FY 2021-2022
29/09/2021	31,916,667.00	FY 2021-2022
4/11/2021	31,916,667.00	FY 2021-2022
21/12/2021	31,916,667.00	FY 2021-2022
10/1/2022	31,916,667.00	FY 2021-2022
7/2/2022	31,916,667.00	FY 2021-2022
2/3/2022	31,916,667.00	FY 2021-2022
4/4/2022	31,916,667.00	FY 2021-2022
9/5/2022	31,916,667.00	FY 2021-2022
7/6/2022	31,916,667.00	FY 2021-2022
30/06/2022	31,916,667.00	
	415,750,004.00	

**b. Development
Grants**

<u>Bank Statement Date Month/day/year</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
8/7/2021	1,437,500,000.00	FY 2020-2021
26/08/2021	445,000,000.00	FY 2021-2022
29/10/2021	445,000,000.00	FY 2021-2022
29/10/2021	146,250,000.00	FY 2021-2022
10/5/2022	56,250,000.00	FY 2021-2022
16/5/2022	227,500,000.00	FY 2021-2022
Total	2,757,500,000.00	

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

Finance Manager
NWHSA
Sign 

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

General Manager Finance & Corporate Planning
National Water Harvesting & Storage Authority

Sign 

Head of Accounting Unit
Ministry of Water, Irrigation
and Sanitation

Sign-----

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA Transferring the funds	Date received	as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
					Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
MWS&I	5/7/2021	Recurrent Grants	Recurrent Grants	32,750,000.00	32,750,000.00				32,750,000.00
MWS&I	11/8/2021	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	7/9/2021	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	29/09/2021	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	4/11/2021	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	21/12/2021	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	10/1/2022	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	7/2/2022	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	2/3/2022	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	4/4/2022	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	9/5/2022	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	7/6/2022	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	30/06/2022	Recurrent Grants	Recurrent Grants	31,916,667.00	31,916,667.00				31,916,667.00
MWS&I	8/7/2021	Development Grants	Development Grants	1,437,500,000.00	1,437,500,000.00				1,437,500,000.00
MWS&I	26/08/2021	Development Grants	Development Grants	445,000,000.00	445,000,000.00				445,000,000.00
MWS&I	29/10/2021	Development Grants	Development Grants	445,000,000.00	445,000,000.00				445,000,000.00
MWS&I	29/10/2021	Development Grants	Development Grants	146,250,000.00	146,250,000.00				146,250,000.00
MWS&I	10/5/2022	Development Grants	Development Grants	56,250,000.00	56,250,000.00				56,250,000.00
MWS&I	16/5/2022	Development Grants	Development Grants	227,500,000.00	227,500,000.00				227,500,000.00
Total				3,173,250,004.00	415,750,004.00	2,757,500,000.00	0.00	0.00	3,173,250,004.00

MWS&I - Ministry of Water, Sanitation & Irrigation