

REPUBLIC OF KENYA



*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

PAPERS LAID	
DATE	14/2/2024
TABLED BY	Dep. M.A. Whip.
COMMITTEE	
CLERK AT THE TABLE	Ajira

**OF**

**THE AUDITOR-GENERAL**

**ON**

**NORTHERN WATER WORKS  
DEVELOPMENT AGENCY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**





---

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
30<sup>TH</sup> JUNE 2023**

---

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

100

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

<b>Table of Contents</b>	<b>Page</b>
1. KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
2. THE BOARD OF DIRECTORS .....	v
3. MANAGEMENT TEAM.....	viii
4. CHAIRPERSON'S STATEMENT .....	x
5. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xi
6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023.....	xvi
7. CORPORATE GOVERNANCE STATEMENT .....	xxxii
8. MANAGEMENT DISCUSSION AND ANALYSIS .....	xxxiv
9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING.....	xxxv
10. REPORT OF THE DIRECTORS .....	xxxvi
11. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	xxxvii
12. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL STATEMENTS OF NORTHERN WATER WORKS DEVELOPMENT AGENCY .....	xxxviii
13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023.....	1
14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023.....	2
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023.....	3
16. STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2023 .....	4
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023 .....	5
18. NOTES TO THE FINANCIAL STATEMENTS .....	6
19. APPENDIX .....	36

## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Northern Water Works Development Agency (NWWDA) was earlier established as Northern Water Services Boards through a Kenya Gazette Notice No. 1716 dated 12th March 2004 as a State Corporation under the State Corporations Act and the Water Act 2002. The water Act 2016 was enacted and the Northern Water Services Board, was gazetted as Northern Water Works Development Agency vide special issue of Kenya Gazette No. 28 dated 26th April 2019.

Northern Water Works Development Agency covers an area of 244,809 Km<sup>2</sup> (about 42% of Kenya land mass according to the Census 2019) with a population of approximately 3.5 million people and approximately 70% of livestock population in Kenya. The Agency is responsible for the development, maintenance and management of water and sewerage infrastructure in 6 counties namely: -Garissa, wajir, Mandera, Isiolo, Samburu and Marsabit.

The mandate of the Agency is the efficient and economical provision of water and sanitation services within its area of Jurisdiction. The Agency fully appreciates its responsibilities in meeting its strategic objectives and mandate. In order to meet these objectives, the Agency is striving to ensure it embraces good corporate governance and service delivery so as to have a positive impact in the region.

### **Water Services**

The water sources are mainly ground water. There are few water supplies having their sources in rivers namely Garissa, Isiolo and Masalani water supply. Surface water collected in pans is also an appreciable source of water. It is used raw and sometimes with filtration from wells beside them. Sewerage Services are only available in Isiolo and Garissa. Other towns have on-site sanitation system.

The cost of maintaining water services is quite high. This is because majority of the water supplies are boreholes and almost all involve pumping.

### **Offices**

Northern Water Works Development Agency has its Head office in Garissa town. It is based at the Maji House Building.

### **(b) Principal Activities**

The principal activities of the Agency are the provision of water and sanitation services in its area of jurisdiction as per the Water Act 2016.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

**(c) Key Management**

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

1. Board of Directors
2. Chief Accounting Officer (CEO)
3. Management

**(d) Fiduciary Management**

The key management personnel who held office during the year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief executive Officer	CPA. Andrew Rage Eysimkele
2.	Ag. Technical Service Manager	Eng. Samuel Ndun'gu
3.	Ag. Finance and admin Manager	CPA. Amina Issa Hussein
4.	Human Resource Manager	Mr. Abdikadir Omar Hajj

**(e) Fiduciary Oversight Arrangements**

**Board Committees**

The ultimate oversight authority of Northern Water Works Development Agency is exercised by the Board of Directors through the Full Board. To ensure that good corporate governance is enhanced and that power is properly exercised in the stewardship of the corporation's total portfolio of assets and resources to maintain stakeholder value. The Board of Directors has established four committees:

1. **Finance and Resource Mobilization Committee**, chaired by Hon.Elias Bare Shill with Dr.John Ltalipen Lekuton, Mr.James Nduna and Mr. Halkano Huqa as the members.
2. **Technical Services Committee**, chaired by Dr. John Ltalipen Lekuton with Mr. Osman Abdi Sirat, Mr. James Nduna and Miss Christine Chepkoech Kibet as the members.
3. **Audit and Risk Committee**, chaired by Mr.Osman Abdi Sirat with Mr. Halkano Huqa and Mr.James Sitiency as the members, and
4. **Human Resources & Administration Committee**, chaired by Miss Christine Chepkoech Kibet with Mr. James Sitiency and Hon.Elias Bare Shill as the members.

The above committees' meetings are guided by the Board Almanac and they meet on quarterly basis and deliberate on issues as defined in their Terms of Reference and make necessary recommendations to the Board on all issues delegated to them.

**Board Meetings**

The Agency has four scheduled meetings per year and meets as necessary to deliberate on specific or urgent matters. In the year ended 30<sup>th</sup> June, 2023 the Board met four times. The above committee meetings are guided by the Board Almanac and they meet on quarterly basis and deliberate on issues as defined in their Terms of Reference and make necessary recommendations to the Board on all issues delegated to them.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

**(f) Entity Headquarters**

Northern Water Works Development Agency  
Maji House Kismayu Road  
P.O Box 495- 70100  
Garissa, Kenya

**(g) Entity Contacts**

Tel: +254 462103598  
Cell: +254 711559995  
E-mail: info@nwwda.go.ke

**(h) Entity Bankers**

Kenya Commercial Bank Limited  
Garissa Branch  
P.O Box 143-70100  
Garissa, 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

2. THE BOARD OF DIRECTORS

Name and key profession/academic qualifications	Responsibility and key qualification
 <p>Hon. Nasri Sahal Ibrahim</p>	<p>Hon. Nasri Sahal Ibrahim is the current the Chairperson of the Board who has a lot of experience dealing with community leadership in the arid region of North - Eastern part of Kenya for over 40 years. She has also been involved in volunteer work with different Non-profit Organisations both in Nairobi and Wajir County. She started her working life as a Teacher after graduating from Iregi Teachers College with a certificate in Teaching. Additionally, she pursued her diploma and Bachelors in Business Management from East African University. She later joined politics and had served as a Member of Wajir County Assembly as Nominated MCA from 2013 to 2017, culminating in her appointment as a Member of the Kenya National Assembly from 2017 to 2022.</p>
 <p>Hon. Elias Bare Shill</p>	<p>Mr. Elias Bare Shill is a Board Member. He is currently the Chair of Finance and Resource Mobilisation committee. He has over 48 years of experience in leadership and as a political activist in the North Eastern part of Kenya. He started his working life as a Teacher after graduating from Kagumo Teachers Training College with a certificate in Teaching. Additionally, he pursued a Bachelor's Degree in Education from University of London. He later joined politics and had served as a Member of Parliament for Fafi Constituency serving under the Kenya National Assembly.</p>
 <p>Mr. Osman Abdi Sirat</p>	<p>Mr. Osman Abdi Sirat is a Board Member. He is currently the Chair of audit and risk committee. He has over 46 years of experience in teaching and administration. He started his working life as a Teacher after graduating from St. Mary's Teachers Training College with a certificate in Teaching. Additionally, he pursued a Bachelor's Degree in Psychology and Teacher Education from Bristol University and Msc. Education Management from Ulster University. He worked as an Assistant Director in charge of Youth and environment, youth and gender, and later as a Deputy Principal at Thika college of Sharia and Islamic studies from 2011 to 2013. He later joined Umma University and served as a Registrar from 2013 to 2016.</p>

**THE BOARD OF DIRECTORS (Continued)**



**Dr. John Ltalipen Lekuton**





Dr. John Ltalipen Lekuton is a Board Member. He is currently the Chair of Technical committee. He holds a Doctor of Philosophy degree in International Economics & Development; M.A in Economics- (Monetary and Fiscal Policy) and Bachelor of Economics - (Summa Cum laude) from Howard University, Washington D.C. He is experienced economist with good grasp of economic and Financial matters. He is also exposed and conversant with how policies are formulated and implemented by the parliament of Kenya. His areas of interest are in regional integration, economic security, community and Youth development, Micro and small enterprises and HIV/AIDS prevention. He is a Member of Diplomacy Scholars Association of Kenya (DIPSAK). Currently, Dr. Lekuton is a lecturer at the Department of Diplomacy and International Studies, University of Nairobi.



**Miss Christine Chepkoech Kibet**

Miss Christine Chepkoech Kibet is a Board Member. She is currently the Chair of Human Resource committee. She has over 15 years of experience in management, administration and as dedicated Human Resource generalist responsible for oversight in County Public service. She started her working life as a Board Member at Namoe Sacco after graduating from Karatina University with a Bachelor's in Business Management. Additionally, she is currently pursuing her Master's in Business Administration from Kenya Methodist university. She worked as a Trainer on Organizational capacity building at DCDC Laikipia North and as an Administrator at Mt Kenya Baptist school. She is currently working as a part time member in the Public Service Board in Laikipia County and also as a member in several committees at National Forum level representing Laikipia County Government to date.


**THE BOARD OF DIRECTORS (Continued)**

 <p>Mr. James Sitiency</p>	<p>Mr. James Sitiency is an inspectorate of state corporation representative.</p>
 <p>Mr. James Nduna</p>	<p>Mr. James Nduna is the Principal Secretary, Ministry of Water, Sanitation and Irrigation's representative to the Agency.</p>
 <p>Mr. Halkano Huqa</p>	<p>Mr. Halkano Huqa is the Cabinet Secretary of The National Treasury representative to the Agency</p>
 <p>CPA Andrew Rage Eysimkele  MBA(Finance),BBM,  CPA(K), CIFA</p>	<p>CPA Andrew Rage Eysimkele is the Chief Executive officer. He has over 17 years' experience in public sector, in the fields of Finance, Accounting, Auditing and Management. He previously served as the Acting CEO from November 2021 to September 2023 and before that he was the Finance &amp; Administration Manager of the institution. Before joining the Agency, he has worked with the National Treasury for over 5 years as an Accountant and prior to that as a Postal Officer with Postal Corporation of Kenya. He holds MBA Finance from Kenyatta University and a Bachelor of Business Management, Finance and Banking option from Karatina University. He is a CPA (K) holder and a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. He is also a graduate of CIFA and a registered member of the Institute of Certified Investment and Financial Analyst. He has also attended several courses, workshops, seminars and trainings</p>





Induction of Board Members with Management at Maanzoni Lodge

**3. MANAGEMENT TEAM**

DETAILS	AREA OF RESPONSIBILITY
 <p>CPA Andrew Rage Eysimkele  MBA(Finance), BBM,  CPA(K), CIFA</p>	<p>CPA Andrew Rage Eysimkele is the Chief Executive officer. He has over 17 years' experience in public sector, in the fields of Finance, Accounting, Auditing and Management. He previously served as the Acting CEO from November 2021 to September 2023 and before that he was the Finance &amp; Administration Manager of the institution. Before joining the Agency, he has worked with the National Treasury for over 5 years as an Accountant and prior to that as a Postal Officer with Postal Corporation of Kenya. He holds MBA Finance from Kenyatta University and a Bachelor of Business Management, Finance and Banking option from Karatina University. He is a CPA (K) holder and a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. He is also a graduate of CIFA and a registered member of the Institute of Certified Investment and Financial Analyst. He has also attended several courses, workshops, seminars and trainings.</p>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

 <p>Samuel Ndun'gu Bsc. Civil Engineering</p>	<p>Mr. Samuel Kangatu Ndun'gu has over 20 years' experience in the Water Sector. He is currently the Ag. Technical Services Manager of Northern Water Works Development Agency overseeing the Technical Services namely: Planning and Design, Implementation of Water and Sewerage Developments and emergency Coordination. He holds Bachelor of Science Degree in Civil Engineering from University of Nairobi. He has previously served as a Project Manager, District Water Engineer in various parts of the country. He has attended various courses, seminars, workshops and training locally. He has participated in development of various policy and project documents.</p>
 <p>CPA. Amina Issa Hussein MBA(Finance), BBS, CPA(K)</p>	<p>Amina Issa has over 11 years' experience in the fields of Finance, Accounting, Auditing and Management. She previously held the position of Management Accountant and Internal Auditor before being appointed as the acting Finance &amp; Administration Manager. Before joining the Agency, she has worked with the private sector over 5 years as an Accountant. She holds an MBA in Finance from Kenyatta University and a Bachelor of Business Studies, Accounting option from Islamic University in Uganda. She is a CPA (K) holder and a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) in good standing. She has also attended several courses, workshops, seminars and trainings.</p>

#### 4. CHAIRPERSON'S STATEMENT

I am glad to present this Annual Report and Financial Statements of Northern Water Works Development Agency (NWWDA) for the year ended 30<sup>th</sup> June 2023. On behalf of the Board of Directors, I wish to take this opportunity to acknowledge the efforts shown by the entire Northern Water Works Development Agency's staff in ensuring that our mandate of providing water and sanitation infrastructure within our area of jurisdiction is attained. This report highlights the Agency's achievements and challenges during the financial year. Just to highlight some achievements during the Year, Idhido dam is a project which has been completed successfully, impounded water and already serving the intended community in Marsabit community. Additionally, Masalani Water Supply (Ijara water supply project source improvement and pipe work) is complete and now extending the water supply to Gababa centre 17kms away while supplying water to government institutions along the way. Other completed projects are Masalani Water Supply. (Ijara water supply project source improvement and pipe works), Jukala-Waradey Water Project and expansion of Habaswein Water Supply Project.

We are also implementing major water projects with the African Development Bank. These projects are funded by the ADB bank and we are implementing them in collaboration with TWWD. The projects are Marsabit water and sewerage project, Mandera water and sewerage project, Isiolo last mile connectivity and Garissa last mile connectivity. The projects are at different stages of completion. One of the challenges highlighted is the issue of Road crossing and cost overruns specifically Mandera, that we fear will delay the completion of Mandera water and sewerage project. We have also observed and continue observing the Ministry of Health guidelines and other presidential directives.

I also appreciate the Ministry of Water, Sanitation and Irrigation, The National Treasury and Planning, Development partners, Regulatory authorities and all other stakeholders for their guidance, continued support and co-operation. Let me say thank you once more to, all members of staff, my fellow board of directors, and all other stakeholders whom I have not mentioned. It is my sincere belief and hope that we will overcome all these challenges.

**SIGNED BY:**

**HON.NASRI SAHAL IBRAHIM**



**CHAIRPERSON**

**Date.....27/09/2023.....**

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

It is my great pleasure to present this Annual report and financial statements for the year ended 30<sup>th</sup> June, 2023. The agency has recorded key milestones in its mandate of development of water and sewerage infrastructure and general management. As an Agency, we are keen on the value for money for all the projects that we implement. This is by ensuring that projects are cost effective and meets the community needs. One of the key highlights from this year, Idhido dam is a project which has been completed successfully, impounded water and already serving the intended community in Marsabit community. Additionally, Masalani Water Supply (Ijara water supply project source improvement and pipe work) is complete and now extending the water supply to Gababa centre 17kms away while supplying water to government institutions along the way.

The agency covers a region which water is a scarce commodity and in our delivery of this vital commodity we are faced with a number of challenges; the cost of water production is very high, as pumping constitutes a major component, because of the vast region and limited water infrastructure, water sources are generally far apart hence long walking distances. To correct this and make water available to the people, heavy investments are required to put up new infrastructure as many areas are not adequately served. The Agency has also experienced delays in exchequer releases.

Despite all that, the Agency made remarkable improvement in project implementation. We ensured that most projects were completed in time and a good number of ongoing ones are at remarkable progress.

### **Water and Sanitation Facilities Developments**

During the year, the Agency completed Idhido Dam, Masalani Water Supply. (Ijara water supply project source improvement and pipe work), Jukala-Waradey Water Project and expansion of Habaswein Water Supply Project. and continued implementation of infrastructural projects like national water harvesting projects.

### **Donor Projects**

The Agency had several donor projects which are at different levels of implementation. These are as listed below:

#### **A) BADEA/OPEC PROGRAM**

##### **1. Garissa Sewerage Project**

The Garissa sewerage project is serving a population of over 120,000 persons within Garissa and its environs. The phase I project commenced in June 2009 and is 100% complete.

The project has improved the sanitation coverage of Garissa town from 20% to 40%. The project is currently 100% complete only awaiting commissioning

The following has been undertaken: -

- i. Construction of 20Kms of sewer line 300-900mm concrete pipeline.
- ii. Construction of 5No. waste stabilization ponds
- iii. Access Roads and site works
- iv. Construction 25Kms secondary lines
- v. Connection of 1000No. households
- vi. Construction of manholes
- vii. Construction of office block



Principal Secretary of State Department of Water and Sanitation during Inspection tour at Garissa Sewerage Project- Inlet Works

## **B) AFRICAN DEVELOPMENT BANK (ADB)**

During the year, African Development Bank funded 6 projects in our region through a joint implementation arrangement with NWWDA and Tana Water Works Development Agency. The arrangement is that the finances and reporting are administered at Tana Water Works Development Agency and supervised and monitored by NWWDA.

The following are the projects funded by African Development Bank:

### **1. Construction of Marsabit Water and sewerage projects**

Marsabit water and sanitation project objective is to increase water and sanitation coverage in Marsabit town from 20% to 40% and 0% to 60% respectively. The overall project completion rate is currently at 95% for water and 85% for sewerage project.

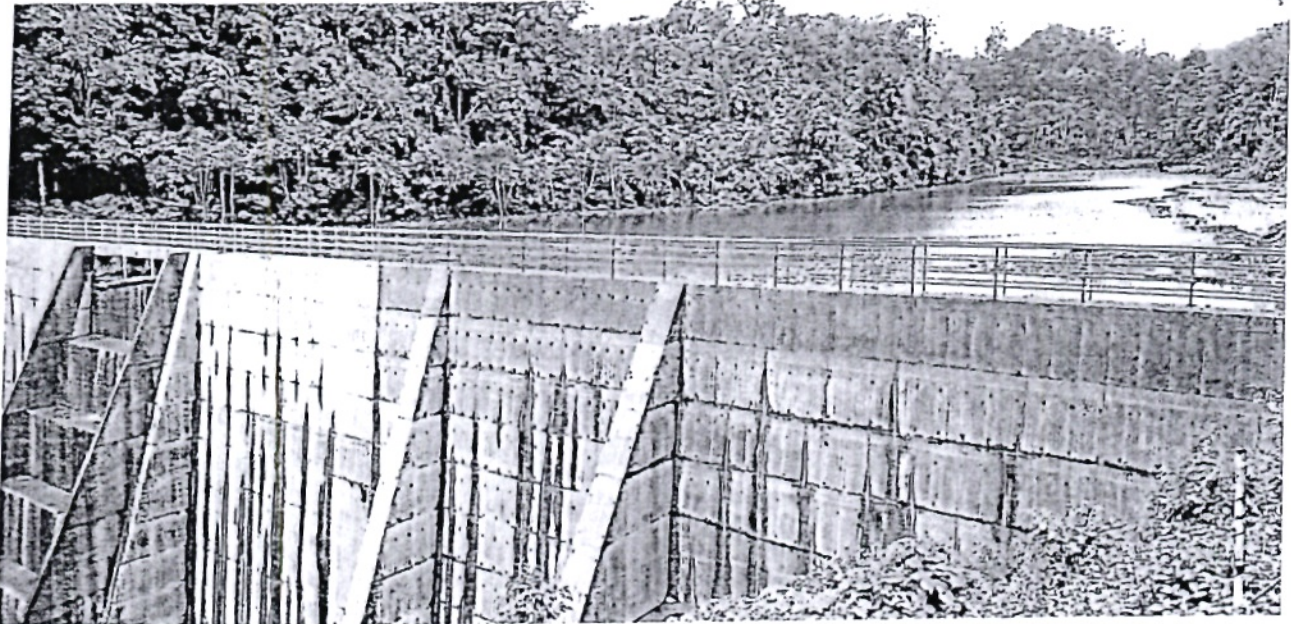
The following is the scope of the works: -

- i) Land compensation
- ii) Construction of 20m high Bakuli concrete dam.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

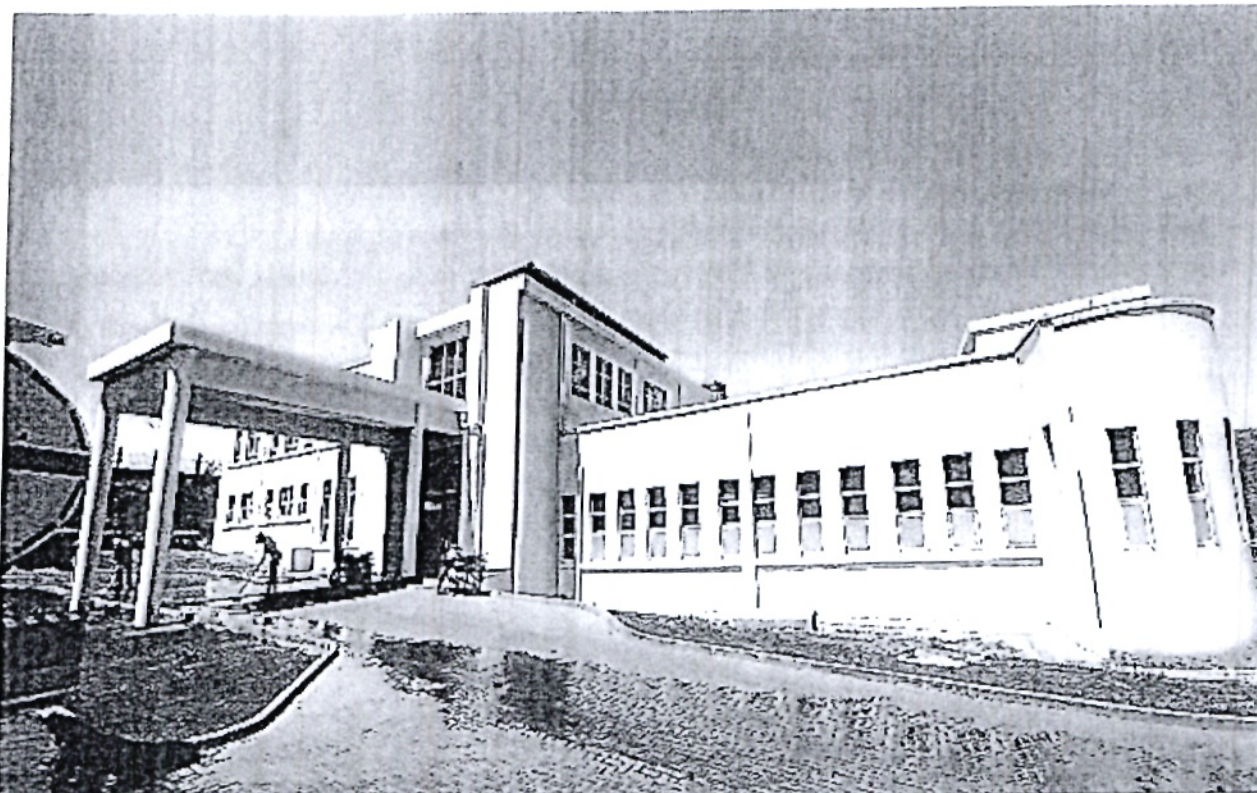
- iii) Construction of water treatment works
- iv) Construction of 5km rising main
- v) Construction of wastewater stabilization ponds
- vi) Laying of 5km sewer pipeline
- vii) Construction of secondary sewers 28.35km



Full and spilling Bakuli 4 dam. The dam filled at the end of the month of April 2023. Picture taken on 3rd May 2023



Completed concrete lining works- Anaerobic ponds STP 2



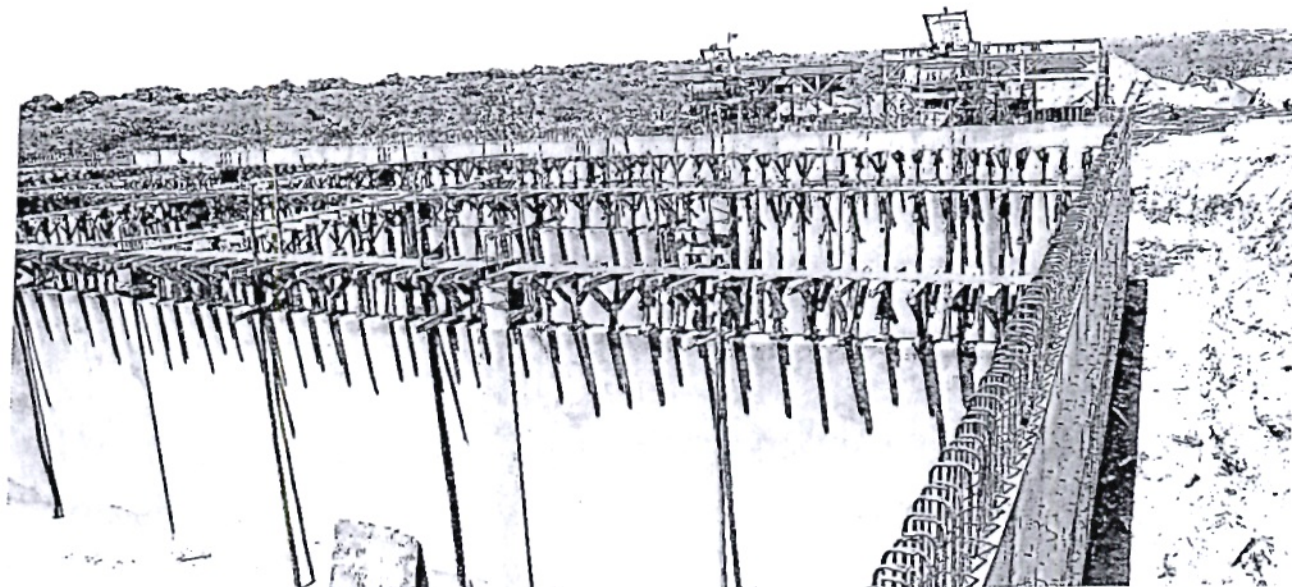
Newly Constructed MARWASCO Office Block

## 2. Construction of Mandera Water and Sanitation Project

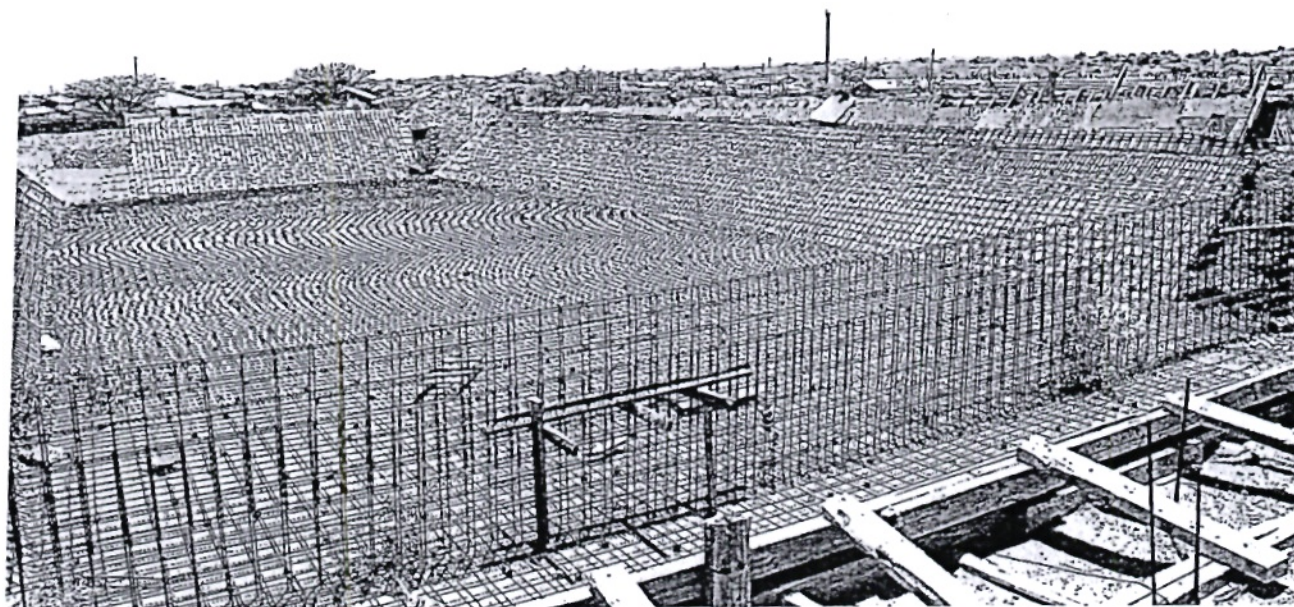
Mandera water and sanitation project objective is to increase water and sanitation coverage in Mandera town from 15% to 70% and 0% to 60% respectively. The project will serve a population of 50,000 people. The overall project completion rate is currently at 73% for water and 71% for sewerage project

The following has been undertaken: -

- i) Land compensation is ongoing with valuation being undertaken by the National Land Commission
- ii) Construction of intake works.
- iii) Construction of water treatment works
- iv) Construction storage tanks
- v) Laying of rising mains.
- vi) Construction of distribution lines
- vii) Construction of 4.3km Trunk Main
- viii) Construction of 23km Primary Sewer Lines
- ix) Construction of 32.5km of Secondary Sewer Lines
- x) Construction of 10 No. waste stabilization ponds.



Mandera water-5000m<sup>3</sup> tank construction



Mandera water-treatment works construction

### **3. Last mile connectivity Projects**

The objective of the project is to increase water and sanitation services in Garissa and Isiolo towns.

The following has been undertaken for Isiolo town: -

- i) Laying of 9.4Km of water pipeline of 110mm done
- ii) Laying of 12 km sewer line.

Overall project progress is at 100% completion

The following has been undertaken for Garissa town: -

- i) 2 No boreholes Rehabilitated & equipped and 5no drilled
- ii) 20% Completion 1000m<sup>3</sup> RC storage tank
- iii) Construction 1No 300m<sup>3</sup> elevated tanks
- iv) Rehabilitation of pumping equipment complete
- v) Laying of 8km rising main
- vi) Construction of 3no. Large diameter wells

Overall project progress is at 100% completion.



Last Mile connectivity Garissa-Borehole and power house

### **C. Government of Kenya funded projects**

The board is undertaking various projects in rural and urban areas through funding from the GOK in different counties. This is both storage infrastructure and pipeline

#### **1.0 Maralal water Project**

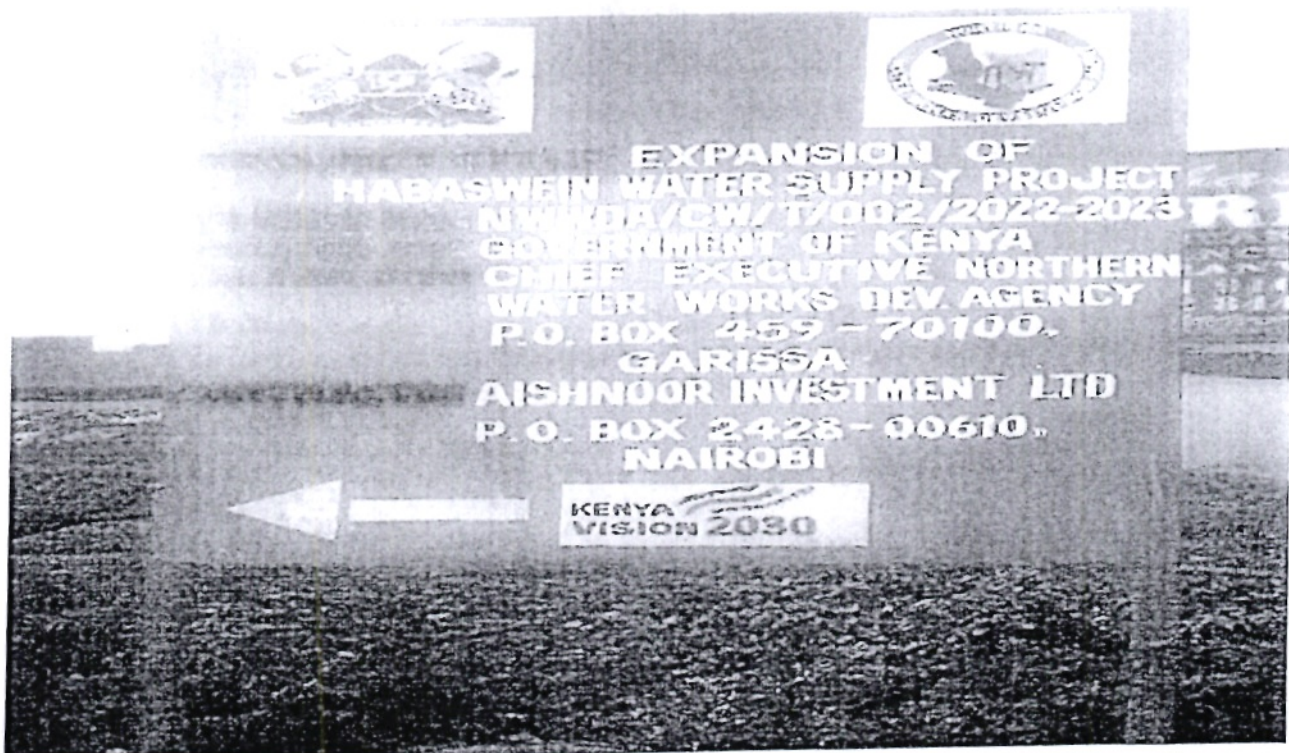
- a) Construct a new water supply of 9,000m<sup>3</sup>/day
- b) Tanks and distribution pipelines

The project is at the design phase.

#### **2.0 Construction of Habaswein Water Project**

This is a water supply project in Habaswein, Wajir County which is targeting to benefit 15,000 people. The following are the scope of work to be undertaken. The project is currently at 99% completion

- a) Drilling and equipping of 2No. Boreholes
- b) Construction of 6 Kms distribution pipeline
- c) 2No. 100m<sup>3</sup> elevated steel tanks



Habaswein Water Project-Sign Board



Habaswein Water Project-Pump House

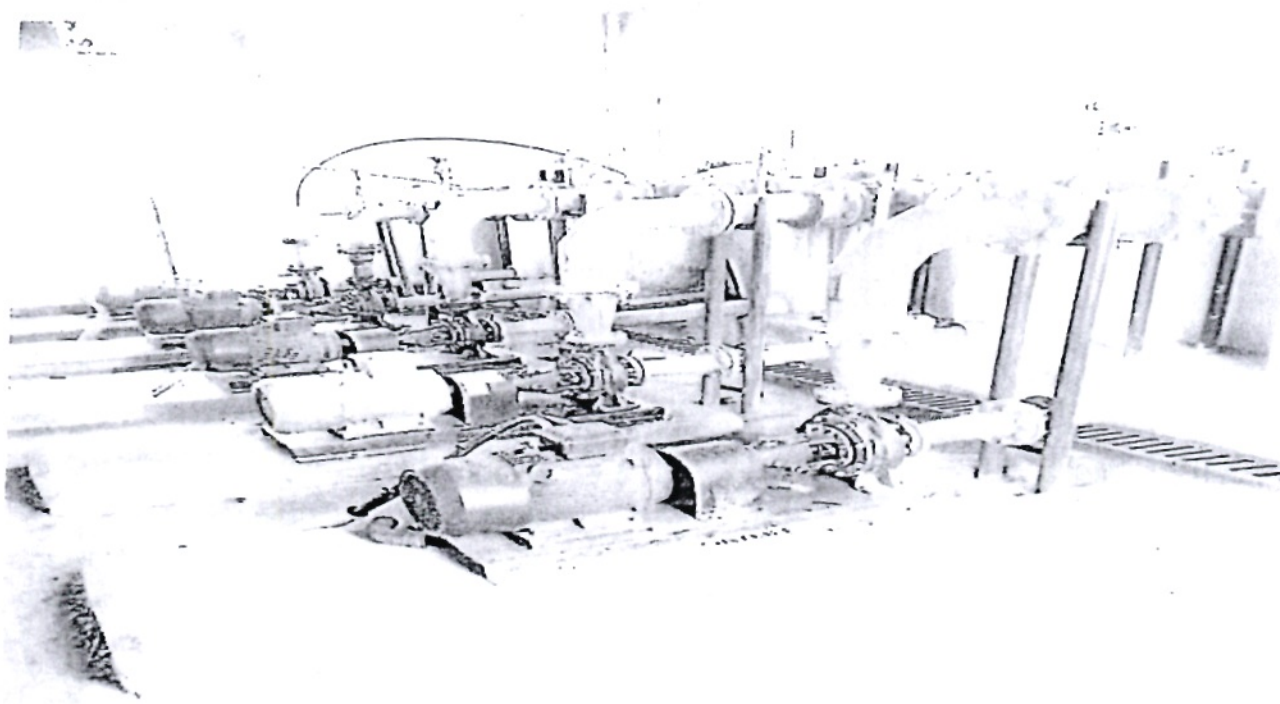
**3.0 Masalani Water Supply. (Ijara water supply project source improvement and pipe work)**

- a) Testing and commissioning of 2000m<sup>3</sup>/day T/Works
- b) Supply, installation and testing of raw and treated water pumping sets
- c) Pump house construction at intake works station
- d) Electrical works
- e) Construction of a 3Km DN80 HDPE pipeline
- f) Construction of T/Works Access road

The project is currently at 99% complete.



Masalani Ijara water supply-Pump house construction at intake works station



Masalani Ijara water supply-Pumping sets within the treatment works

#### **4.0 Masalani Water Supply. (Masalani Gababa pipeline extension and ancillary works)**

- g) Project preliminaries and General items
- h) Construction of a 17km DN 110-160 HDPE Gababa-Masalani pipeline and associated works
- i) Construction of 1No. 150m<sup>3</sup> sectional steel elevated water Tank-Ijara vocational and technical training centre
- j) Rehabilitation of existing 25m<sup>3</sup>/hr composite filtration.
- k) Rehabilitation of 3No. 150m<sup>3</sup> and 1No. 100m<sup>3</sup> existing elevated steel water tanks.

The project is currently at 4% complete.

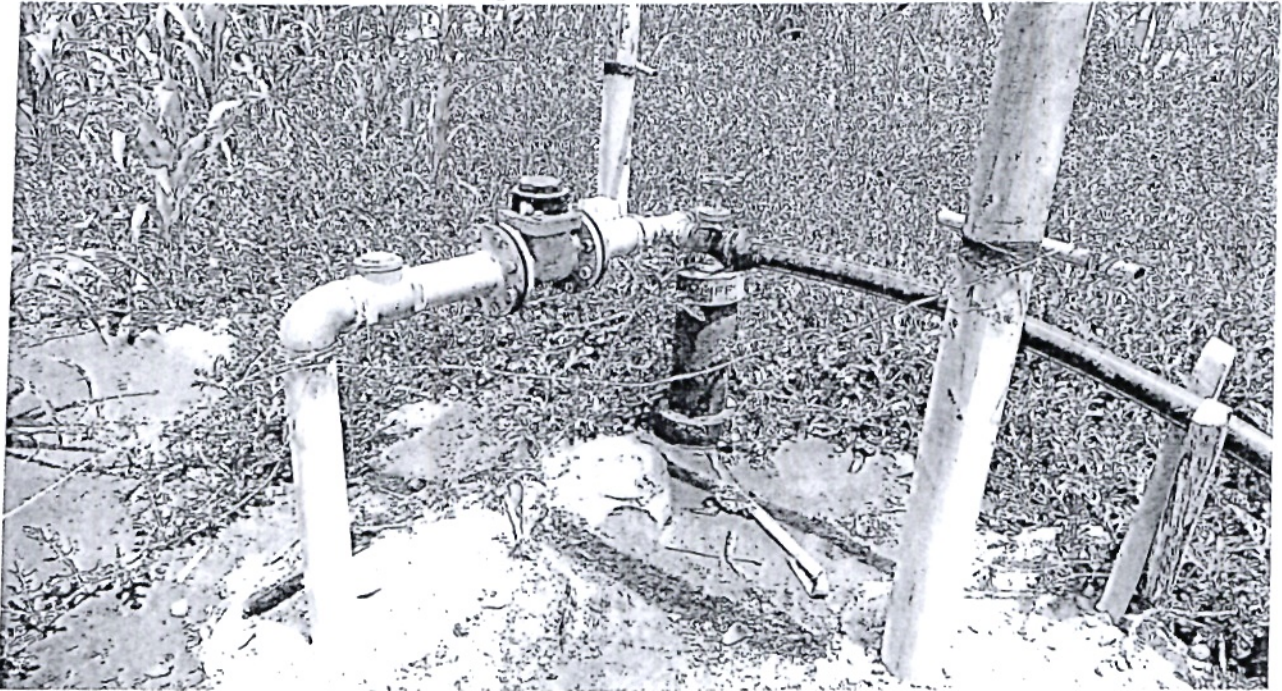
#### **5.0 Jukala-Waradey Water Project**

This is a water supply project in Eldas, Wajir County which is targeting to benefit 18,000 people. The following are the scope of work to be undertaken.

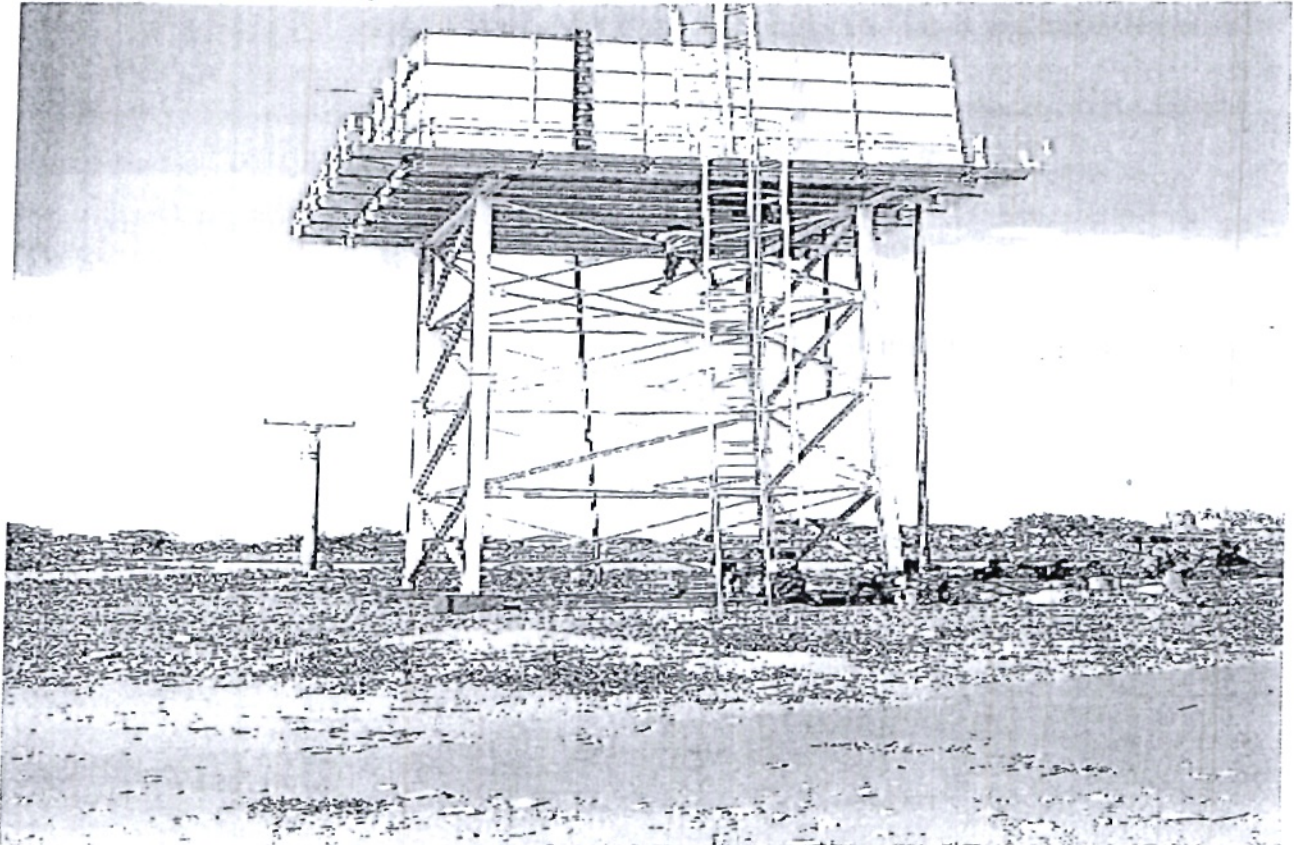
- a) Drilling and equipping of boreholes.
- b) Laying of rising main
- c) Laying of distribution main
- d) Booster station
- e) Construction of 3No. Masonry tanks
- f) Construction of elevated steel tank
- g) Water kiosks

h) Fencing

The project is currently at 100% complete.



Jukala-Waradey Water Project-Drilling of boreholes



Jukala-Waradey Water Project-Construction of elevated steel tank holding capacity of 108m<sup>3</sup>

### **6.0 Bilatulamin Biad Water Project**

This is a water supply project in Eldas, Wajir County which is targeting to benefit 10,000 people. The following are the scope of work to be undertaken.

- a) Laying of rising main
- b) Laying of distribution main
- c) Booster station
- d) Construction of elevated steel tank
- e) Water kiosks
- f) Fencing

The project is currently at 99% complete.



Bilatulamin Biad Water Project- Pump house, Booster station and fencing of the project site



Bilatulamin Biad Water Project- Water kiosk

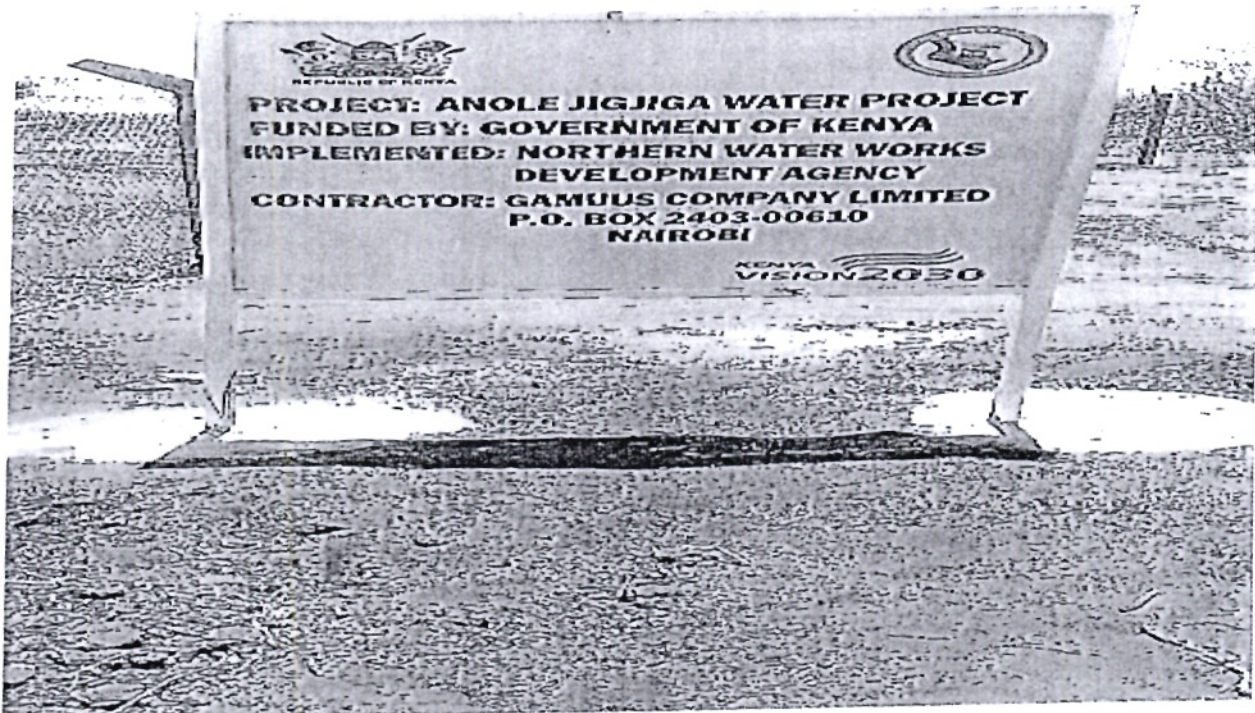
#### 7.0 Jig-Jiga Water Project

This is a water supply project in Eldas, Wajir County which is targeting to benefit 10,000 people.

The following are the scope of work to be undertaken.

- a) Laying of rising main
- b) Laying of distribution main
- c) Booster station
- d) Construction of elevated steel tank
- e) Water kiosks
- f) Fencing

The project is currently at 100% complete.



Anole Jig-Jiga Water Project-Sign Board



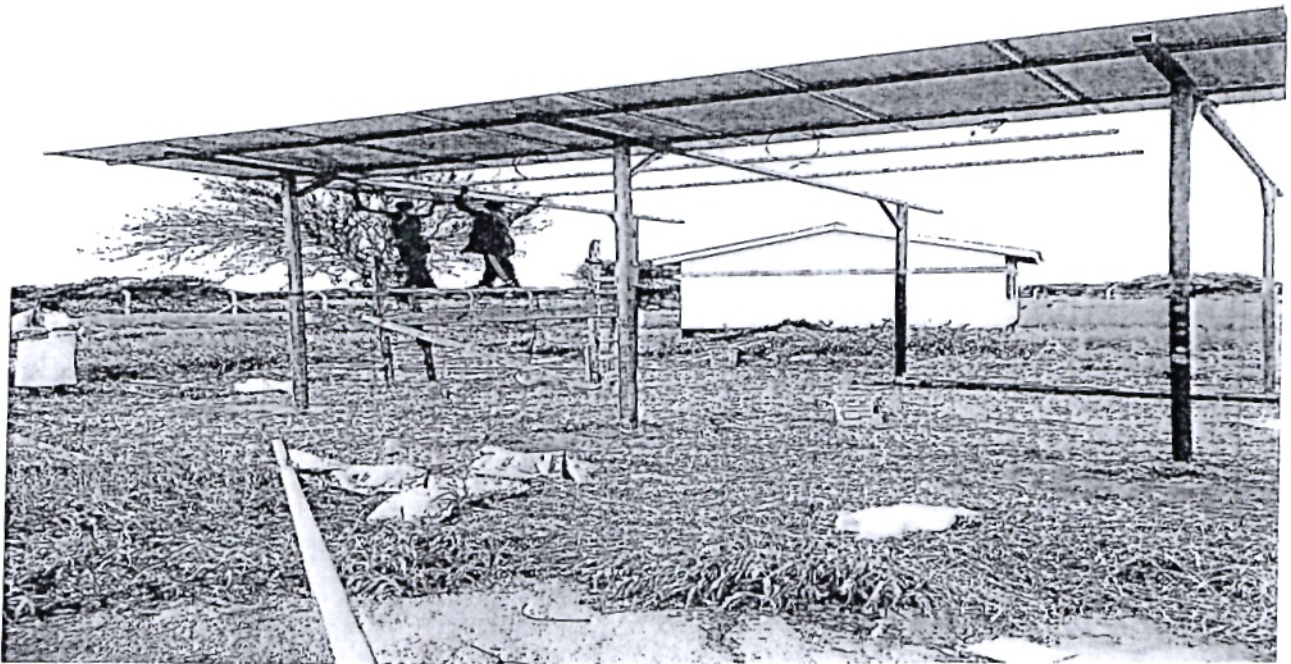
Anole Jig-Jiga Water Project-water kiosk

### **8.0 Expansion of El-Nur Water & Sanitation Project**

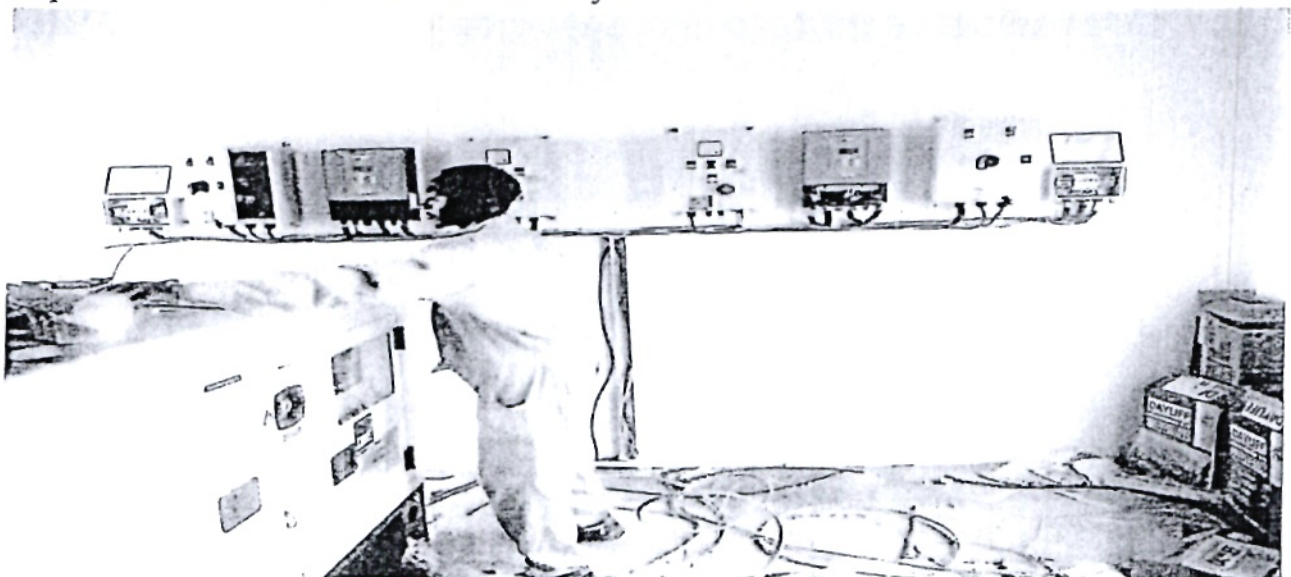
This is a water supply project in Eldas, Wajir County which is targeting to benefit 16,800 people. The following are the scope of work to be undertaken.

- a) Drilling and equipping of 4No. boreholes
- b) Laying of rising main 7kms
- c) Laying 8km distribution main
- d) Construction of elevated steel tank and G.I masonry tank
- e) Water kiosks, cattle troughs and fencing

The project is currently at 30% complete.



Expansion of El-Nur Water & Sanitation Project- Solar Panel



Expansion of El-Nur Water & Sanitation Project- Genset installation

### **9.0 Idhido Dam Project**

This is a water supply project in North Horr, Marsabit County which is targeting to benefit 1,000 people. The following are the scope of work to be undertaken.

- a) Construction of 5.5m high Dam wall to create 150m<sup>3</sup> storage Reservoir
- b) Excavation/Dredging on Dam Reservoir area to achieve the above capacity 25m<sup>3</sup> sump
- c) Water Kiosk with Tank on Roof slab
- d) Fencing
- e) Access Road
- f) Spillway
- g) Cattle trough
- h) Spillway Dam of 250,000m<sup>3</sup>

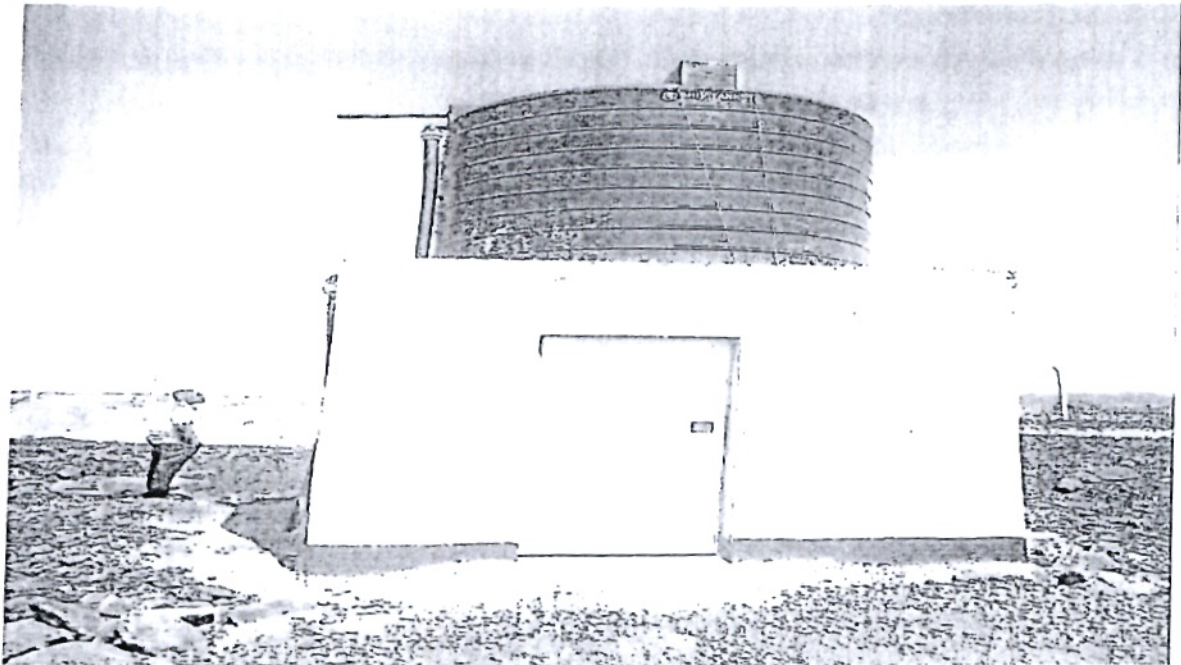
The project is currently at 100% complete.



Idhido Dan- Volume of the embankment is 32,283 m<sup>3</sup>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---



Idhido Dam- Water Kiosk and elevated

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

**1. Future outlook**

As indicated in the financial statements for the year 2022/2023, the Agency's performance increased from a deficit of Kshs. (107,856,206) to a surplus of Kshs. 253,678,259 in the 2021/2022 F/Y and 2022/2023 F/Y respectively.

The Agency will further improve on the future performance by reducing on vehicles operations and maintenance costs and other related costs, we will also request for enhanced funding from the ministry to cater for the operations of the Agency.

  
**Andrew Rage Eysimkele**  
**Chief Executive Officer**

Date ..... 27/9/2023 .....

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**6. STATEMENT OF NORTHERN WATER WORKS DEVELOPMENT AGENCY'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

NWWDA has three strategic pillars (Key Result Areas) and objectives within its Strategic Plan for the FY 2018/2019-2022/2023. These strategic pillars/ themes/ issues are as follows:

Pillar 1: Water and sanitation Coverage

Pillar 2: Research and Development

Pillar 3: Institutional Capacity Development

Northern Water Works Development Agency's develops its annual work plans based on the above three pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Agency achieved its performance targets set for the FY 2022/2023 period for its three strategic pillars, as indicated in the diagram below:

Strategic Pillar (KRA)	Strategic Objective	Key Performance Indicators	Activities	Achievements
Water and sanitation Coverage	1. Increase access to safe water in rural areas from 19.3% in the year 2019 to 59.3 % by the year 2023.	No. boreholes and water pans	6 No. water pans and 8 No. Boreholes. Three water supply projects: Habaswein Water supply project, Bilatulamin-Biad Water Project, and Jukala Waradey Water Project.	Increased access to safe water in rural areas from 23.5% to 30%.
	2. Increase access to safe water in Urban areas from 32.2% in the year 2019 to 52.2 % by the year 2023.	No. boreholes, dams and water pans  Pipeline extension works	Idhido Dam 10 No. water pans and 4 No. Boreholes.  Last mile connectivity project to increase water and sanitation and services for Garissa (100% complete) and Isiolo (100% complete) towns.	Increased access to safe water in urban areas from 32.2% to 40.5%.

NORTHERN WATER WORKS DEVELOPMENT AGENCY

Annual Reports and Financial Statements

For the year ended June 30, 2023.

	3. Increase access to sanitation services in Urban areas from 6.9% in the year 2019 to 26.9 % by the year 2023.	No. of sanitation projects	1. Garissa sewerage project complete. To increase sanitation coverage in Garissa Town from 20% to 40%. 2. Mandera sanitation project at 71% complete. Construction of Primary Sewer lines at 23km and secondary sewer lines at 32.5km complete. Construction of wastewater stabilization ponds complete. 3. Marsabit sanitation project. at 85% complete. Construction secondary sewer lines at 28.35km complete. Construction of wastewater stabilization ponds complete. Construction of	Increased sanitation coverage in urban areas from 10% to 15%.
	4. Increase access to sanitation services in rural areas from 27.1% in the year 2019 to 57.1% by the year 2023.	No. of sanitation projects	5 No. Sanitation blocks.	Increased sanitation coverage in rural areas from 30% to 35%.
	5. To enhance sustainability of water and sanitation infrastructure.	No. of water kiosks and storage tanks constructed	Construction of sanitation blocks, pump house, fencing and water kiosks.	sustainability of water and sanitation infrastructure done
Research and Development	To promote Research, development and	No. of research activities	Research done on ground water Hydrology of Merti aquifer areas, Shabel-Dula	Research activity done.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

	appropriate technology			
Institutional Capacity Development	1. To enhance the Agency's financial ability to discharge its mandate	No. of MTEF reports and an annual budget	Participating in MTEF and annual budgeting process (costing of programmes and projects); submission of budget estimates to National Treasury.	The Agency mobilised Kshs. 726,855,458
	2. To strengthen governance and corporate affairs	Risk management  Enhance Relationship and collaboration with partners and stakeholders	Risk management policy and framework developed and in place.  Working closely with C.E. C's and chiefs from the respectful counties under the Agency to identify areas lacking access to water resources.	Implementation of the risk Policy  Enhanced collaboration with stakeholders
	3. To attract, develop and retain skilled and motivated staff	Recruitment and retention	Training needs assessment carried out for all staff. Training of 30No. Officers under various categories.	Development of existing staff and recruitment of new staff.
	4. To enhance operational efficiency of the agency	No. of Enterprise Resource Planning (ERP) progress reports.	Integrated ERP system implemented and in use to smoothen the day to day operational processes.	Installation of ERP modules (Finance Accounts, HR& Payroll, Project Management and Supply Chain) at 100%.

## **7. CORPORATE GOVERNANCE STATEMENT**

### **THE BOARD**

The Northern Water Works Development Agency Board was formed through Gazette Notice No.1716 dated 12<sup>th</sup> March,2014 as a State Corporation under the State Corporations Act 2002. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board. The Northern Water Works Development Agency Board is committed to maximizing the long-term value of services to all stakeholders. The Board seeks to ensure that Northern Water Works Development Agency (NWWDA) is properly managed to protect and enhance stakeholder interests, and that NWWDA, its Board Members, officers and employees operate in an appropriate environment of corporate governance.

### **THE BOARD OF DIRECTORS**

The trust deed of Northern Water Works Development Agency provides that the board of trustees shall be made up of eight directors, including the Chairperson. The board of directors is responsible for the long-term strategic direction of the Agency and recruitment of the Chief Executive Officer and senior management. The board of directors' exercises leadership, enterprise, integrity and judgment in directing the Fund.

The directors are provided with full, appropriate and timely information that enables them to maintain full and effective control over the strategic, financial, operational and compliance issues. The day-to-day running of the operations of the fund is delegated to the chief executive officer but the board is responsible for establishing and maintaining the Agency's system of internal controls for the realization of its mandate of providing financial support for improved access to water and sanitation in areas without adequate services.

All members of the board have been taken through a comprehensive induction programme, and are adequately trained on their roles as board members. The directors are professional, committed and guided by the mission, vision and core values of the Agency in execution of their duties.

### **BOARD MEETINGS**

The board of directors meets quarterly or as required in order to monitor the implementation of the Agency's strategic plan and achievement of the targets in the performance contract signed with the Ministry. The board of directors also plays an oversight role over all other financial and operational issues. The Board of directors held four full board meetings during the FY 2022/2023.

### **AUDIT AND RISK COMMITTEE**

In ensuring that corporate governance and integrity is enhanced in between the governance of the Agency, the board of director has established an audit and risk committee. The committee was established to advice the board of directors on institutional risk management and compliance.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**

**Annual Reports and Financial Statements**

**For the year ended June 30, 2023.**

---

**CORPORATE GOVERNANCE STATEMENT (Continued)**

The committee held four meetings during the year. The members of this committee during the year under review were:

S/No.	Name	Position in committee	Period Served
1	Mr.Osman Abdi Sirat	Chairman	5 Months
2	Mr. Halkano Huqa	Member	1 Year
3	Mr. James Sitiency	Member	1 Year

**STATEMENT OF COMPLIANCE**

The board of directors confirms that the Agency has throughout the FY 2022/2023 complied with all statutory and regulatory requirements and that the Agency has been managed in accordance with the principles of good corporate governance.

**INTERNAL CONTROL AND RISK MANAGEMENT**

**Internal Control**

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

**Standing Instructions**

The Agency has a Code of Ethics and Service Charter that is applicable to all employees. These have a number of standing instructions to employees of the Agency designed to enhance internal control.

**Organization Structure**

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

**CORPORATE GOVERNANCE STATEMENT (Continued)**

**Strategic Plan**

The activities of the Agency is determined by the strategic plan. The strategic plan sets out the objectives of the Agency, and the annual targets to be met to attain those objectives. The strategic plan is evaluated annually to assess the achievement of those objectives. The board on an annual basis approves the work plan supported by the budget for the year. Progress against the plan is monitored on a quarterly basis.

**Internal Control Framework**

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

The audit and risk committee considers significant control matters raised by management and both the internal and external auditors and reports its findings to the board. Where weaknesses are identified, the committee ensures that management takes appropriate action. No significant failings or weaknesses were identified during the FY 2022/2023.

**Management Team**

The management team headed by the Chief Executive Officer implements the board decisions and policies through action plans. The team meets regularly to review these action plans to ensure that the board's objectives are achieved effectively and efficiently.

**Auditor**

The Agency is audited by the Auditor-General.

## **8. MANAGEMENT DISCUSSION AND ANALYSIS**

Northern Water Works Development Agency has continued to adhere to PFM Act, 2012, Public Procurement and disposal act, 2015, The National Treasury & Planning circulars issued from time to time, Water Act 2016, Salaries and Remuneration Commission (SRC) circular and guidelines issued from time to time, the Constitution of Kenya 2010 and all government directives and guidelines issued from time to time. The Agency's operations are guided by relevant laws and policies. The Agency has in place Strategic Plan, Service Charter and other departmental policies which have enhanced management performance.

The Agency's Board of Directors through the management is responsible to ensure preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS). The Management maintains proper books of accounts which give true and fair view of state of affairs of the Agency.

During the year, the Agency ensured prudent spending and compliance with the PFM Act, 2012. The Agency complied with all statutory requirements and obligations with KRA, NHIF, NSSF and HELB. All statutory deductions were duly remitted hence the Agency did not have any material arrears. The Agency will continue to honour all statutory obligations on and when they fall due.

During the year, the Agency continued with implementation of the Human Resources Policies and Procedures, Career Guidelines, Staff Establishment and Training Needs Assessment. During F/Y 2022/2023, staff establishment stood at 32 No. Spread in two departments and three standalone sections. The departments include; Finance and administration, Technical services, Supply chain management and Internal Audit.

### **Major Risks**

NWWDA is faced with issues of insecurity in certain areas under its jurisdiction and late disbursements which can affect the timely completion of projects hence delays in service delivery for the target population. Such delays have had negative implication on donor confidence due to inability by the government to meet their commitment under the financing.

## **9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

Northern Water Works Development Agency exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence.

### **Environmental Sustainability**

The objective of the NWWDA's environmental sustainability is therefore to promote sustainable development within our area of jurisdiction by ensuring environmental protection, social equity, and economic development.

### **Environmental Protection**

The Agency contributed towards the national Tree planting days and the staffs were mobilized and over 1,000 tree seedlings were planted. One officer was also tasked to ensure that the seedlings are watered frequently.

### **Social Equity**

In addition to above, the Agency has given the necessary support to disadvantaged members of communities in having access to water through pro-poor programmes and also provide support to those affected by floods during the heavy rains.

## 10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the agency's affairs.

### i) Principal activities

The principal activities of the Agency are the provision of water and sanitation services in its area of jurisdiction as per the Water Act 2016 are:

- Undertaking the development, maintenance and management of National Public Waterworks,
- Operate the waterworks and provide water services as a water service provider, until such a time as responsibility for the operation and management of waterworks are handed over to a county government, joint committee, authority of county government or water services provider,
- Provide reserve capacity for purposes of providing water services where the Regulatory Board orders the transfer of water services functions from a defaulting water services provider to another licensee,
- Provide technical services and capacity building to such county government and water providers,
- Provide to the cabinet secretary technical support in discharge of his or her functions under the constitution the Water Act 2016.

### ii) Results

The results of the Agency for the year ended June 30, 2023, are set out on page 1.

### iii) Directors

The members of the Board of Directors who served during the year are shown on page roman v-vi.

### iv) Auditors

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

**By Order of the Board**

Name..... *Andrew Raga Eysimbele*

Signature..... 

Date..... *27/9/2023*

**Chief Executive Officer**

**11. 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 Agency, which give a true and fair view of the state of affairs of the Agency at the end of the financial year/period and the operating results of the Agency for that year/period. The Directors are also required to ensure that the Agency keeps proper accounting records which disclose with reasonable accuracy the financial position of the Agency. The Directors are also responsible for safeguarding the assets of the Agency.

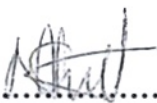
The Directors are responsible for the preparation and presentation of the Agency's financial statements, which give a true and fair view of the state of affairs of the Agency for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Agency; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Agency; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Agency's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Agency's financial statements give a true and fair view of the state of Agency's transactions during the financial year ended June 30, 2023, and of the Agency's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Agency, which have been relied upon in the preparation of the Agency's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Agency's 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 Agency's financial statements were approved by the Board on 27/9/ 2023 and signed on its behalf by:

Signature.....  
**Hon. Nasri Sahal Ibrahim**  
**Chairperson of the Board**

Date ...27/9/2023

Signature.....  
**Andrew Rage Eysimkele**  
**Chief Executive Officer**

Date ...27/9/2023

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON NORTHERN WATER WORKS DEVELOPMENT AGENCY FOR THE YEAR ENDED 30 JUNE, 2023**

---

### 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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the 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, risk management environment and 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 Northern Water Works Development Agency set out on pages 1 to 36, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance,

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Northern Water Works Development Agency as at 30 June, 2023 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 Public Finance Management Act, 2012 and the Water Act, 2016.

### **Basis for Qualified Opinion**

#### **1. Long Outstanding Receivables from Non- Exchange Transactions**

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.735,132,635 which, as disclosed in Note 18 to the financial statements, includes trade debtors of Kshs.23,880,969 due from water service providers which have remained outstanding since the financial year 2017/2018.

In the circumstances, the recoverability and accuracy of the trade debtors amounting to Kshs.23,880,969 as at 30 June, 2023 could not be confirmed.

#### **2. Cash and Cash Equivalentents**

The statement of financial position reflects cash and cash equivalentents balance of Kshs.62,336,581 as at 30 June, 2023 which as disclosed in Note 17 includes cash in bank amounting to Kshs.62,332,860. However, review of bank reconciliation statements revealed long outstanding payments in the cashbook not recorded in bank statement amounting to Kshs.41,882 and long outstanding payments in bank statements not recorded in the cashbook amounting to Kshs.118,395 that were still outstanding as at 30 June, 2023.

In the circumstances, the accuracy and completeness of the cash and cash equivalentents balance of Kshs.62,332,860 could not be confirmed.

#### **3. Unsupported Retentions**

The statement of financial position reflects trade and other payables balance of Kshs.32,858,136 which were unpaid retentions as disclosed in Note 21 to the financial statements. However, the retention bank account had a balance of Kshs.15,115,846 as at 30 June, 2023 resulting to a variance of Kshs.17,742,290 that had not been transferred to the retention bank account as at 30 June, 2023.

Management did not provide a satisfactory explanation for the failure to transfer the difference to the retention account for the settlement of the outstanding amounts when

they fall due. Failure to transfer retention money to the retention bank account may result to delay in the settlement of the amounts when they fall due.

In the circumstances, the accuracy and completeness of the unpaid retentions balance of Kshs.32,858,136 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Northern Water Works Development Agency Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted revenue of Kshs.1,434,590,056 and actual revenue of Kshs.760,923,390 resulting to an under-funding of Kshs.673,666,666 or 47% of the budget.

Similarly, the statement reflects final expenditure budget and actual expenditure on a comparable basis of Kshs.1,434,590,056 and Kshs.869,253,902 respectively, resulting to an under-expenditure of Kshs.565,336,154 or 39% of the budget.

The under-funding and under expenditure affected the implementation of the planned activities and may have impacted negatively on service delivery to the public.

My opinion is however not modified in respect of the above matter.

### **Key Audit Matters**

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

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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**

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

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

### **Basis for Conclusion**

#### **Projects Implementation**

During the year under review, the Agency allocated in the approved budget Kshs.1,286,530,056 towards implementation of development projects. Analysis of the project implementation status report and expenditure for the year under review revealed that sixty-eight (68) projects with actual expenditure of Kshs.656,277,944 were implemented during the year under review. Audit inspections carried out in September, 2023 revealed that projects with a total contract sum of Kshs.115,597,413 were not labelled. Further, one project, extension of Kubi Qallo Boru Water Supply with a contract sum of Kshs.45,974,291 had two (2) booster stations vandalized out of the three (3) completed and one (1) out of the three (3) water kiosk constructed had been vandalized. In addition, the remaining booster pump was ineffective since it required servicing.

In the circumstances, the security of the projects implemented could not be confirmed.

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

### **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Agency'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 Agency or to cease operations.

The 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 Agency's financial reporting process, reviewing the effectiveness of how 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 controls 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 Agency'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 controls.
- 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 Agency's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Agency to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Agency to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

08 January, 2024

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**


**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023**


	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Revenue from non-exchange transactions</b>			
Transfers from other governments entities	6	1,093,022,124	1,263,970,000
Accrued Income-in-kind	7	9,762,266	13,016,354
Other income	8	283,262	16,405,100
Domestic and Foreign Grants	9	34,067,932	37,095,327
<b>Total revenue</b>		<b>1,137,135,584</b>	<b>1,330,486,781</b>
<b>Expenses</b>			
Use of goods and services	10	55,656,435	55,540,334
Employee costs	11	55,092,595	64,934,370
Remuneration of directors	12	21,515,776	13,221,995
Depreciation and amortization expense	13	14,203,423	18,738,978
Repairs and maintenance	14	8,479,621	8,557,910
Contracted services	15	1,129,981	15,617,503
Grants and subsidies	16	727,379,494	1,261,731,897
<b>Total expenses</b>		<b>883,457,325</b>	<b>1,438,342,987</b>
<b>Surplus/Deficit before tax</b>		<b>253,678,259</b>	<b>(107,856,206)</b>

The notes set out on pages 6 to 35 form an integral part of these Financial Statements.

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

  
**Chief Executive Officer**  
 Andrew Rage Eysimkele

  
**Ag. Finance and Admin Manager**  
 Amina Issa Hussein  
 ICPAK No. 31000

  
**Chairperson of the Board**  
 Hon. Nasri Sahal Ibrahim

Date... 27/9/2023 .....

Date... 27/09/2023 .....


Date... 27/09/2023 .....

NORTHERN WATER WORKS DEVELOPMENT AGENCY  
Annual Reports and Financial Statements  
For the year ended June 30, 2023.


14 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	17	62,336,581	168,766,169
Receivables from non-exchange transactions	18	735,132,635	368,965,969
<b>Total Current Assets</b>		<b>797,469,216</b>	<b>537,732,138</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	19	46,860,801	60,831,955
Intangible assets	20	929,077	1,161,346
<b>Total Non- Current Assets</b>		<b>47,789,878</b>	<b>61,993,301</b>
<b>Total Assets</b>		<b>845,259,094</b>	<b>599,725,439</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	21	32,858,136	31,242,147
<b>Total Current Liabilities</b>		<b>32,858,136</b>	<b>31,242,147</b>
<b>Non-Current Liabilities</b>			
Deferred income	22	29,286,797	39,049,063
<b>Total Non- Current Liabilities</b>		<b>29,286,797</b>	<b>39,049,063</b>
<b>Total Liabilities</b>		<b>62,144,933</b>	<b>70,291,210</b>
<b>Net assets</b>		<b>783,114,161</b>	<b>529,434,228</b>
Accumulated surplus		752,358,199	498,678,266
Capital Fund		30,755,962	30,755,962
<b>Total Net Assets</b>		<b>783,114,161</b>	<b>529,434,228</b>
<b>Total Net Assets and Liabilities</b>		<b>783,114,161</b>	<b>529,434,228</b>

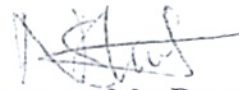
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
Chief Executive Officer  
Andrew Rage Eysimkele

Date... 27/09/2023..

  
Ag. Finance and Admin Manager  
Amina Issa Hussein

ICPAK No. 31000  
Date... 27/09/2023

  
Chairperson of the Board  
Hon. Nasri Sahal Ibrahim

Date... 27/09/2023

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**15 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2023**

	Notes	Capital Fund	Accumulated Surplus	Total
As at July 1, 2021		30,755,962	606,534,472	637,290,434
Surplus/ Deficit for the year		-	(107,856,206)	(107,856,206)
As at June 30, 2022		30,755,962	498,678,266	529,434,228
Surplus/ Deficit for the year			253,678,259	253,678,259
As at June 30, 2023		30,755,962	752,356,525	783,112,487

NORTHERN WATER WORKS DEVELOPMENT AGENCY


Annual Reports and Financial Statements


For the year ended June 30, 2023.


16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

		2022-2023	2021-2022
	Notes	Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from other governments entities		726,855,458	1,443,051,664
Other incomes		283,262	16,405,100
Domestic and Foreign Grants		34,067,932	37,095,327
Project Funds		-	-
<b>Total Receipts</b>		<b>761,206,651</b>	<b>1,496,552,091</b>
<b>Payments</b>			
Use of goods and services	10	55,656,435	55,540,334
Employee costs	11	55,092,595	64,934,370
Remuneration of directors	12	21,515,776	13,221,995
Repairs and maintenance	14	8,479,621	8,557,910
Contracted services	15	1,129,981	15,617,503
Grants and subsidies		725,761,832	1,298,010,193
Project Costs			-
<b>Total Payments</b>		<b>867,636,240</b>	<b>1,455,882,305</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>(106,429,588)</b>	<b>40,669,786</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets			
<b>Net cash flows from/(used in) investing activities</b>			<b>(13,445,907)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings			-
Repayment of borrowings			-
Proceeds from issue of shares			-
<b>Net cash flows from /(used in) financing activities</b>			<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>(106,429,588)</b>	<b>27,223,879</b>
Cash and cash equivalents at 1 JULY		168,766,169	141,542,290
<b>Cash and cash equivalents at 30 JUNE</b>	17	<b>62,336,581</b>	<b>168,766,169</b>

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

  
**Chief Executive Officer**  
 Andrew Rage Eysimkele

  
**Ag. Finance and Admin Manager**  
 Amina Issa Hussein  
 ICPAK No. 31000

  
**Chairperson of the Board**  
 Hon. Nasri Sahal Ibrahim

Date... 27/09/2023

Date... 27/09/2023

Date... 27/09/2023

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Transfers from other governments entities	575,000,000	825,522,124	1,400,522,124	726,855,458	673,666,666	52%
Other incomes	-	-	-	-	-	-
Domestic and Foreign Grants	34,067,932	-	34,067,932	34,067,932	-	100%
<b>Total income</b>	<b>609,067,932</b>	<b>825,522,124</b>	<b>1,434,590,056</b>	<b>760,923,390</b>	<b>673,666,666</b>	<b>53%</b>
<b>Expenses</b>						
Use of goods and services	55,000,000	700,000	55,700,000	55,656,435	43,565	100%
Employee costs	62,050,000	60,000	62,110,000	56,052,595	6,057,405	90%
Remuneration of directors	17,000,000	3,600,000	20,600,000	20,555,776	44,224	100%
Repairs and maintenance	8,500,000	-	8,500,000	8,479,621	20,379	100%
Contracted services	1,150,000	-	1,150,000	1,129,981	20,019	98%
Grants and subsidies	465,367,932	821,162,124	1,286,530,056	727,379,494	559,150,562	57%
<b>Total expenditure</b>	<b>609,067,932</b>	<b>825,522,124</b>	<b>1,434,590,056</b>	<b>869,253,902</b>	<b>565,336,154</b>	<b>61%</b>

## **18. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

Northern Water Works Development Agency is established by and derives its authority and accountability from Kenya Gazette No. 28 dated 26th April 2019 issued under Water Act, 2016. The Agency is wholly owned by the Government of Kenya and is domiciled in Kenya. The Agency's principal activity is provision of water and sanitation services in its area of jurisdiction

### **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) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Agency'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 5 of these financial statements.

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

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

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. Adoption of New and Revised Standards**

- i. New and amended standards and interpretations in issue effective in the year ended 30<sup>th</sup> June, 2022.*

IPSASB deferred the application date of standards from 1st January 2023 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

Standard	Effective date and impact:
<b>IPSAS 42:</b> Social Benefits	<b>Applicable: 1<sup>st</sup> January 2023</b> The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<b>Applicable: 1st January 2023:</b> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.
Other improvements to IPSAS	<b>Applicable 1<sup>st</sup> January 2023</b> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> Amendments to refer to the latest System of National Accounts (SNA 2008). <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. **Early adoption of standards**

The Agency did not early – adopt any new or amended standards in year 2021/2022.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The Agency 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 Agency 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 Agency and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants that are used to acquire the entity assets 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.

**Rendering of services**

The Agency 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 Agency.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Summary of Significant Accounting Policies (Continued)

**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.

**ii) Revenue from exchange transactions**

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Agency'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 2022-2023 was approved by the Board and the Ministry on 7<sup>th</sup> July, 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Agency upon receiving the respective approvals in order to conclude the final budget.

The Agency'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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Agency operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Summary of Significant Accounting Policies (Continued)**

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) 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 derecognized 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.

**e) 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 Agency 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.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

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 on assets is calculated on a reducing balance basis and written off the cost as per rates below:

Furniture and fittings	12.5%
Computers	33.3%
Other equipment	12.5%
Motor vehicles	25%
Software	20%

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Agency. 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 Agency also recognizes the associated lease liability at the inception of the lease. The liability 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 Agency 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 Agency. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**h) Research and development costs**

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

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

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.

**i) Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agency determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**Held-to-maturity.**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Agency has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**Impairment of financial assets**

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or an entity of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

**b) Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agency determines the classification of its financial liabilities at initial recognition., All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour 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 Agency.

**k) Provisions**

Provisions are recognized when the Agency 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 Agency 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.

**l) Contingent liabilities**

The Agency does not 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.

**m) Contingent assets**

The Agency 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 Agency 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**n) Nature and purpose of reserves**

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

**o) Changes in accounting policies and estimates**

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

**p) Employee benefits**

**Retirement benefit plans**

The Agency provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged at 7.5% employee and 15% employer every month.

**q) 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 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.

**r) 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.

**s) Related parties**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**t) Service concession arrangements**

The Agency 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 Agency 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 Agency also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**u) 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**v) Comparative figures**

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

**w) 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, 2023.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Agency'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. State all judgements, estimates and assumptions made.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Summary of Significant Accounting Policies (Continued)**

**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 Agency 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 Agency. 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:

- a) The condition of the asset based on the assessment of experts employed by the Agency.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

No provisions were raised during the year under review.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6. Transfers from Other Government Entities**

Description	2022-2023	2021-2022
	KShs	KShs
Recurrent Grants	102,000,000	102,000,000
Development Grants	830,746,320	1,161,970,000
Equalization Funds	160,275,804	-
<b>Total government grants and subsidies</b>	<b>1,093,022,124</b>	<b>1,263,970,000</b>

**7. Accrued Income-in-kind**

Description	2022-2023	2021-2022
	KShs	KShs
As at 1 July 2022	39,049,063	52,065,417
Received During the Year	-	-
Total for the year	39,049,063	52,065,417
<b>Transfers to income statement</b>	<b>9,762,266</b>	<b>13,016,354</b>

\*at 25% reducing balance

**8. Other Income**

Description	2022-2023	2021-2022
	KShs	KShs
Miscellaneous	283,262	16,405,100
Robin hood Refund	-	-
	<b>283,262</b>	<b>16,405,100</b>

**9. Domestic and Foreign Grants**

Description	2022-2023	2021-2022
	KShs	KShs
Kenya Italy Debt Relief Programme	-	-
Water Sector Trust Fund	-	-
Water and Sanitation Development Project	34,067,932	37,095,327
<b>Total revenue from the rendering of services</b>	<b>34,067,932</b>	<b>37,095,327</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**10. Use of Goods and Services**

<b>Description</b>	<b>2022-2023</b>	<b>2021-2022</b>
	<b>KShs</b>	<b>KShs</b>
Electricity	886,836	1,079,833
Water and sewerage	91,500	140,628
Telephone	715,095	684,400
Internet connection	293,600	218,195
Courier and postal	233,680	290,759
Local travel	18,253,746	14,710,450
Newspaper subscription	34,860	45,360
Advertising and publicity	925,478	867,375
Publishing and Printing	352,161	182,431
Workshop and seminars	11,624,992	18,880,089
Staff welfare	566,950	658,760
Motor vehicle insurance	2,019,582	1,722,079
Sanitary Expenses	52,447	223,949
General office supplies	1,546,895	813,488
Stationery	964,329	595,570
Fuel and lubricants	12,013,188	6,347,187
Bank charges	122,851	131,515
Club Membership & Professional Bodies	87,350	91,200
Contracted security guards	1,809,515	1,123,460
Foreign Travel	-	-
Legal fee	3,061,381	5,309,607
Corporate Social Responsibility	-	568,500
Audit fees Provisions	-	826,699
Subscription to DSTV	-	28,800
<b>Total</b>	<b>55,656,435</b>	<b>55,540,334</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. Employee Costs**

	2022-2023	2021-2022
	Kshs	Kshs
Salaries and wages	25,311,272	27,541,999
Casual labour	1,453,084	1,220,836
House allowance	5,874,000	6,600,000
Hardship allowance	7,186,900	8,002,700
Gratuity	328,104	4,809,762
Pension	3,174,183	3,177,639
Leave allowance	453,903	640,387
Medical insurance	9,557,149	10,657,047
Commuter allowance	1,754,000	1,864,000
Acting Allowance	-	-
Other staff allowances	-	420,000
<b>Total Employee costs</b>	<b>55,092,595</b>	<b>64,934,370</b>

**12. Remuneration of Directors/Board Expenses**

Description	2022-2023	2021-2022
	Kshs	Kshs
Honoraria	960,000	560,000
Board sitting allowance	4,249,800	2,938,000
Board Training & Workshops	2,213,497	1,867,063
Board travelling and accommodation	10,495,916	7,171,294
Board Foreign Travels	2,796,864	-
Other Allowances	84,000	49,000
Board's medical Insurance	715,700	636,638
<b>Total</b>	<b>21,515,776</b>	<b>13,221,995</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. Depreciation and Amortization Expense**

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, plant and equipment	46,860,801	18,448,641
Intangible assets	929,077	290,337
<b>Total depreciation and amortization</b>	<b>47,789,878</b>	<b>18,738,978</b>

**14. Repairs and Maintenance**

Description	2022-2023	2021-2022
	Kshs	Kshs
Maintenance of motor vehicle	7,227,939	7,151,520
Maintenance of furniture and equipment	748,740	296,740
Maintenance of building and stations	59,800	149,895
Maintenance of computers and accessories	443,142	526,415
Maintenance of office machine & equipment		433,340
<b>Total repairs and maintenance</b>	<b>8,479,621</b>	<b>8,557,910</b>

**15. Contracted Services**

Description	2022-2023	2021-2022
	Kshs	Kshs
Contracted Services	1,129,981	15,617,503
<b>Total contracted services</b>	<b>1,129,981</b>	<b>15,617,503</b>

**16. Grants and Subsidies**

Description	2022-2023	2021-2022
	Kshs	Kshs
Drought and Mitigation		129,731,155
Hydrological Survey	1,792,840	2,600,400
Maintenance of Water Supply	697,956,884	1,105,835,512
Monitoring and Evaluation	21,176,884	15,559,834
Project Design	6,452,886	8,004,996
<b>Total grants and subsidies</b>	<b>727,379,494</b>	<b>1,261,731,897</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. Cash and Cash Equivalents**

Description	2022-2023	2021-2022
	Kshs	Kshs
Cash in Bank	62,332,860	168,741,289
Cash in Hand	3,721	24,880
<b>Total cash and cash equivalents</b>	<b>62,336,581</b>	<b>168,766,169</b>

**Detailed Analysis of the Cash and Cash Equivalents-Cash in Hand**

Bank name	Bank Account number	Currency	2022-2023 Kshs	2021-2022 Kshs
Kenya Commercial Bank	1107797942	Kshs	201	14,041
Kenya Commercial Bank	1107800056	Kshs	3,133	361
Kenya Commercial Bank	1107800153	Kshs	387	10,478
<b>Total</b>			<b>3,721</b>	<b>24,880</b>

**Detailed Analysis of the Cash and Cash Equivalents-Cash in Bank**

Bank name	Bank Account number	Currency	2022-2023 Kshs	2021-2022 Kshs
Kenya Commercial Bank	1107797942	Kshs	6,732,307	19,862,207
Kenya Commercial Bank	1107800056	Kshs	2,875,127	82,789,513
Kenya Commercial Bank	1107800153	Kshs	6,843,943	6,843,943
Kenya Commercial Bank	1118388321	Kshs		155,671
Kenya Commercial Bank	1132794773	Kshs		8,189
Kenya Commercial Bank	1208373099	Kshs	6,034,006	821,735
Kenya Commercial Bank	1294506234	Kshs	15,115,846	4,431,107
Kenya Commercial Bank	1283235579	Kshs	24,731,631	53,828,924
<b>Total</b>			<b>62,332,860</b>	<b>168,741,289</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**18. Receivables from Non-Exchange Transactions**

	<b>2022-2023</b>	<b>2021-2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Current receivables</b>		
Trade Debtors-WSPs	23,880,969	23,880,969
Transfers from Other Government Entities Not Received	711,251,666	345,085,000
<b>Total current receivables</b>	<b>735,132,635</b>	<b>368,965,969</b>

NORTHERN WATER WORKS DEVELOPMENT AGENCY  
Annual Reports and Financial Statements  
For the year ended June 30, 2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Property, Plant and Equipment

	Computers and Accessories	Furniture and Fittings	Motor Vehicles	Equipment	Total
	33.3%	12.50%	25%	12.50%	
<b>Cost</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
As at 1 <sup>st</sup> July 2021	16,178,310	13,092,305	382,642,911	24,612,560	436,526,086
Additions	318,000	349,130	11,444,777	1,334,000	13,445,907
<b>As at 30<sup>th</sup> June 2022</b>	<b>16,496,310</b>	<b>13,441,435</b>	<b>394,087,688</b>	<b>25,946,560</b>	<b>449,971,993</b>
Additions					
Disposals	-	-	-	-	-
<b>As at 30<sup>th</sup> June 2023</b>	<b>16,496,310</b>	<b>13,441,435</b>	<b>394,087,688</b>	<b>25,946,560</b>	<b>449,971,993</b>
<b>Depreciation and impairment</b>					
At 1 July 2020	14,366,679	8,819,918	329,322,857	18,181,943	370,691,396
Depreciation	709,167	577,690	16,191,208	970,577	18,448,642
<b>As at 30 June 2022</b>	<b>15,075,846</b>	<b>9,397,608</b>	<b>345,514,064</b>	<b>19,152,520</b>	<b>389,140,038</b>
Depreciation	473,014	505,478	12,143,406	849,255	13,971,154
<b>As at 30<sup>th</sup> June 2023</b>	<b>15,548,861</b>	<b>9,903,086</b>	<b>357,657,470</b>	<b>20,001,775</b>	<b>403,111,192</b>
<b>Net book values</b>					
<b>As at 30<sup>th</sup> June 2023</b>	<b>947,449</b>	<b>3,538,349</b>	<b>36,430,218</b>	<b>5,944,785</b>	<b>46,860,801</b>
<b>As at 30<sup>th</sup> June 2022</b>	<b>1,420,464</b>	<b>4,043,827</b>	<b>48,573,624</b>	<b>6,794,040</b>	<b>60,831,955</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**20. Intangible Assets**

Description	2022-2023	2021-2022
	KShs	KShs
Cost as at 1 <sup>st</sup> July, 2021	9,925,160	9,925,160
At beginning of the year	9,925,160	9,925,160
Additions	-	-
At end of the year 30 <sup>th</sup> June, 2023	9,925,160	9,925,160
Amortization and impairment		
At beginning of the year 1st July, 2022	8,763,814	8,473,477
Amortization @ 20% WDV	232,269	290,337
At end of the year 30 <sup>th</sup> June, 2023	8,996,083	8,763,814
NBV	929,077	1,161,346

**21. Trade and Other Payables**

Description	2022-2023	2021-2022
	KShs	KShs
Trade Creditors	-	2,897,943
Unpaid Retention	32,858,136	28,344,204
<b>Total trade and other payables</b>	<b>32,858,136</b>	<b>31,242,147</b>

**22. Deferred Income**

Description	2022-2023	2021-2022
	Kshs	Kshs
International funders	29,286,797	39,049,063
<b>Total deferred income</b>	<b>29,286,797</b>	<b>39,049,063</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The deferred income movement is as follows:

	<b>International funders</b>
Balance brought forward	39,049,063
Transfers to income statement	(9,762,266)
Balance carried forward	29,286,797

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**27. Financial Risk Management**

The Agency's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Agency's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Agency 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 Agency's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The Agency 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, 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 Agency's management based on prior experience and their assessment of the current economic environment.

**Financial Risk Management**

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>As at 30 June 2023</b>				
Receivables from non-exchange transactions	735,132,635	735,132,635	-	-
Bank balances	71,051,585	71,051,585	-	-
<b>Total</b>	<b>806,184,220</b>	<b>806,184,220</b>	-	-
<b>As at 30 June 2022</b>				
Receivables from non-exchange transactions	368,965,969	368,965,969	-	-
Bank balances	168,766,169	168,766,169	-	-
<b>Total</b>	<b>537,732,138</b>	<b>537,732,138</b>	-	-

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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 Agency has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the Agency's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**Financial Risk Management**

**ii) Liquidity risk management**

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

The table below represents cash flows payable by the Agency 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.

	<b>Total</b>
	<b>Kshs</b>
<b>As at 30 June 2023</b>	
Trade payables	32,858,136
Deferred income	29,286,797
<b>Total</b>	<b>62,144,933</b>
<b>As at 30 June 2022</b>	
Trade payables	67,520,443
Deferred income	52,065,417
<b>Total</b>	<b>119,585,860</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Financial Risk Management**

**i) Market risk**

The entity has put in place an internal audit function to assist it in assessing the risk faced by the Agency 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 Agency'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 Agency'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 Agency's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The Agency has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The Agency manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The carrying amount of the Agency's foreign currency denominated monetary assets and monetary liabilities were Nil at the end of the reporting period and the previous period.

**Financial Risk Management**

**b) Interest rate risk**

Interest rate risk is the risk that the Agency's financial condition may be adversely affected as a result of changes in interest rate levels. The Agency's interest rate risk arises from bank deposits. This exposes the Agency to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Agency's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Sensitivity analysis**

The Agency analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs Nil. A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs Nil.

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 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 Agency'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 Agency considers relevant and observable market prices in its valuations where possible.

The agency did not have financial and non- financial instruments recorded at fair value.

**iv) Capital Risk Management**

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

	2022-2023	2021-2022
	Kshs	Kshs
Retained earnings	752,356,525	498,678,266
Capital reserve	30,755,962	30,755,962
<b>Total funds</b>	<b>783,112,487</b>	<b>529,434,228</b>
Total borrowings	-	-
<b>Gearing</b>	<b>-</b>	<b>-</b>

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**23. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Agency 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 Agency, holding 100% of the Agency's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Agency, both domestic and external.

**Other related parties include:**

- i) The Ministry of Water, Sanitation and Irrigation
- ii) Key management;
- iii) Board of directors;

**Relates Party Disclosures**

	2022-2023	2021-2022
	Kshs	Kshs
<b>a) Grants /Transfers from the Government</b>		
Grants from National Govt	1,093,022,124	1,263,970,000
<b>Total</b>	<b>1,093,022,124</b>	<b>1,263,970,000</b>
<b>b) Key management compensation</b>		
Directors' emoluments	21,515,776	13,221,995
Compensation to key management	4,680,000	11,681,145
<b>Total</b>	<b>26,195,776</b>	<b>24,903,140</b>

**24. Taxation**

There was no income charge Tax for the period under review

**25. Deferred Tax Liability**

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. There was no deferred tax liability.

**26. Events after the Reporting Period**

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

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

---

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**27. Ultimate and Holding Entity**

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Water, Sanitation and Irrigation. Its ultimate parent is the Government of Kenya.

**28. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**APPENDIX**

**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.

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Long lasting receivable from non-exchange transactions	The Agency has severally written to WSP's concerning the debt and still following up. Incase this effort fails as the previous years have shown, a policy will be put in place and approval sought to consider it as bad and doubtful debts.	Not Resolved	30 June 2024
2.0	Cash and cash Equivalent	All stale cheques were reversed in the F/Y 2022-2023.	Resolved	30 June 2023
<b>Other Matters</b>				
1.0	Budgetary Control and Performance	The Agency will in future fast track the release of exchequer funds from the Ministry.	Resolved	30 June 2023
2.0				
3.0	Non-Compliance with Law on Ethnic Composition	The Somali community is divided into various tribes namely: - Ogaden, Dogodia, Murule, Ajuran and Garee which are also represented in different composition. Due to the geographical location and harsh conditions in the region, mostly we do not attract other Kenyans from other regions and this has also contributed to the imbalance. The Agency will in future adhere with the affirmative action and ensure ethical balance in staff recruitment.	Not Resolved	30 June 2024
4.0	Project Implementation Status	All project implementation status observations were cleared.	Resolved	30 June 2023
5.0	Retention Funds	The retention amount of Kshs 23,913,097 is retained in the Agency's Development account since the NWWD Retention account was opened on April 2022.	Resolved	30 June 2023

**Chief Executive Officer**

**Name:** CPA Andrew Rage Eysimkele

**Sign:**  **Date:** 29/9/2023

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Project title	Project Number	Donor	Period/duration	Donor commitment (Millions)	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1	Garissa sewerage project Phase II	BADEA /OPEC		281	NO	YES

**Status of Projects completion**

	Project	Total project Cost (Millions)	Total expended to date (Millions)	Completion % to date	Budget (Millions)	Actual (Millions)	Source of funds
1	Yamo dam and water supply	2,105	604	99.8%	250		GOK
2	Forole al-Dere Earth fill peace dam	250	241	100%	250		GOK
3	Garissa sewerage project Phase II	836	529	100%	-		GOK

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:		NORTHERN WATER WORKS DEVELOPMENT AGENCY		
Break down of Transfers from the Ministry of Water, Sanitation and Irrigation				
FY 2021/2023				
<b>a.</b>	<b>Recurrent Grants</b>			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
		August 4, 2022	8,500,000	FY 2022/23
		September 9, 2022	8,500,000	FY 2022/23
		October 3, 2022	8,500,000	FY 2022/23
		November 15, 2022	8,500,000	FY 2022/23
		December 13, 2022	8,500,000	FY 2022/23
		January 5, 2023	8,500,000	FY 2022/23
		February 6, 2023	8,500,000	FY 2022/23
		March 23, 2023	7,000,000	FY 2022/23
		March 31, 2023	1,500,000	FY 2022/23
		April 14, 2023	8,500,000	FY 2022/23
		June 6, 2023	5,166,667	FY 2022/23
		June 26, 2023	5,166,667	FY 2022/23
		<b>Total</b>	<b>86,833,334</b>	
	<b>Development Grants</b>			
<b>b.</b>		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
		September 29, 2022	118,250,000	FY 2022/23
		September 29, 2022	10,500,000	FY 2022/23
		September 30, 2022	18,496,320	FY 2022/23
		October 18, 2022	25,000,000	FY 2022/23
		<b>Total</b>	<b>172,246,320</b>	
<b>c.</b>	<b>Equalization Funds</b>			
		<u>Bank Statement Date</u>	<u>Amount (Kshs)</u>	<u>FY to which the amounts relate</u>
		February 2, 2023	30,505,301	FY 2022/23
		February 2, 2023	8,716,587	FY 2022/23
		February 2, 2023	13,335,425	FY 2022/23
		February 2, 2023	10,473,954	FY 2022/23
		February 2, 2023	41,482,233	FY 2022/23
		February 2, 2023	6,028,392	FY 2022/23

**NORTHERN WATER WORKS DEVELOPMENT AGENCY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2023.**

		February 2,2023	1,034,720	FY 2022/23
		February 2,2023	1,481,132	FY 2022/23
		February 2,2023	34,869,709	FY 2022/23
		February 2,2023	3,611,979	FY 2022/23
		February 2,2023	3,092,560	FY 2022/23
		February 2,2023	1,162,847	FY 2022/23
		February 2,2023	4,480,965	FY 2022/23
		<b>Total</b>	<b>160,275,804</b>	
<b>d.</b>	<b>WSDP</b>			
		<u>Bank Statement</u>		<u>FY to which the</u>
		<u>Date</u>	<u>Amount (Kshs)</u>	<u>amounts relate</u>
		March 20, 2023	34,067,932	FY 2022/23
		<b>Total</b>	<b>34,067,932</b>	

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

**Chief Executive Officer**

**Ag. Finance and Admin Manager**

Sign:  .....

Sign:  .....

Date 27/9/2023 .....

Date 27/09/2023 .....

NORTHERN WATER WORKS DEVELOPMENT AGENCY  
Annual Reports and Financial Statements  
For the year ended June 30, 2023.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	
Ministry of Water, Sanitation and Irrigation	As per Appendix III	Recurrent	86,833,334	102,000,000	-	-	15,166,666	102,000,000
Ministry of Water, Sanitation and Irrigation	As per Appendix III	Development	172,246,320	830,746,320	-	-	658,500,000	830,746,320
Equation Funds	As per Appendix III	Development	160,275,804	160,275,804	-	-	-	160,275,804
Water Sanitation Development Programme	As per Appendix III	Donor Fund	34,067,932	34,067,932	-	-	-	34,067,932
<b>Total</b>			<b>453,423,390</b>	<b>1,127,090,056</b>			<b>673,666,666</b>	<b>1,127,090,056</b>